UOB-Kay Hian Holdings Limited

your trusted brokering partner

Annual Report 2006

UOBKayHian

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Board of Directors

Wee Ee-chao
Chairman and Managing Director

Tang Wee Loke
Deputy Managing Director

Neo Chin Sang
Executive Director

Esmond Choo Liong Gee
Executive Director

Dr. Henry Tay Yun Chwan
Independent Director

Chelva Retnam Rajah
Independent Director

Roland Knecht
Independent Director

Walter Tung Tau Chyr
Non-executive Director

Francis Lee Chin Yong
Non-executive Director

Audit Committee

Dr. Henry Tay Yun Chwan
Chairman

Chelva Retnam Rajah

Francis Lee Chin Yong

Nominating Committee

Roland Knecht
Chairman

Chelva Retnam Rajah

Tang Wee Loke

Remuneration Committee

Chelva Retnam Rajah
Chairman

Dr. Henry Tay Yun Chwan

Walter Tung Tau Chyr

Company Secretary

Mdm Chung Boon Cheow

Company Registration No.

200004464C

Registered Office

80 Raffles Place
#30-01 UOB Plaza 1
Singapore 048624
Tel: 6535 6868
Fax: 6532 6919

Registrar and Share Transfer Office

B.A.C.S. Private Limited
63 Cantonment Road
Singapore 089758

Auditors

PricewaterhouseCoopers
Certified Public Accountants

8 Cross Street
#17-00 PWC Building
Singapore 048424

Partner in charge – Peter Low Eng Huat
Date of appointment : 2002

Principal Bankers

BNP Paribas

Citibank, N. A.

Oversea-Chinese Banking Corporation Limited

Standard Chartered Bank

DBS Bank Ltd

The Hongkong and Shanghai Banking Corporation Limited

United Overseas Bank Limited

UOB Kay Hian is a regional broking and corporate finance services Group headquartered in Singapore. We are a widely recognised brand in every country we operate, a reputation built on our responsive and discreet service. In Singapore we are the largest domestic broker based on the number of registered trading representatives enrolled in our institutional and retail sales force. In addition to our broking agency services, we provide high value added services in corporate fund raising by deploying our wide and deep distribution capabilities to IPOs, secondary placements and other corporate finance activities.

Through a series of acquisitions since 2001, our regional distribution foot print now spans regional financial centres such as Hong Kong, Thailand, Indonesia, London and New York. In addition we maintain research offices in Shanghai, Kuala Lumpur and an execution presence in Philippines. We are therefore at the pulse of regional economic activities availing us the deep market knowledge necessary to respond appropriately to our clients.

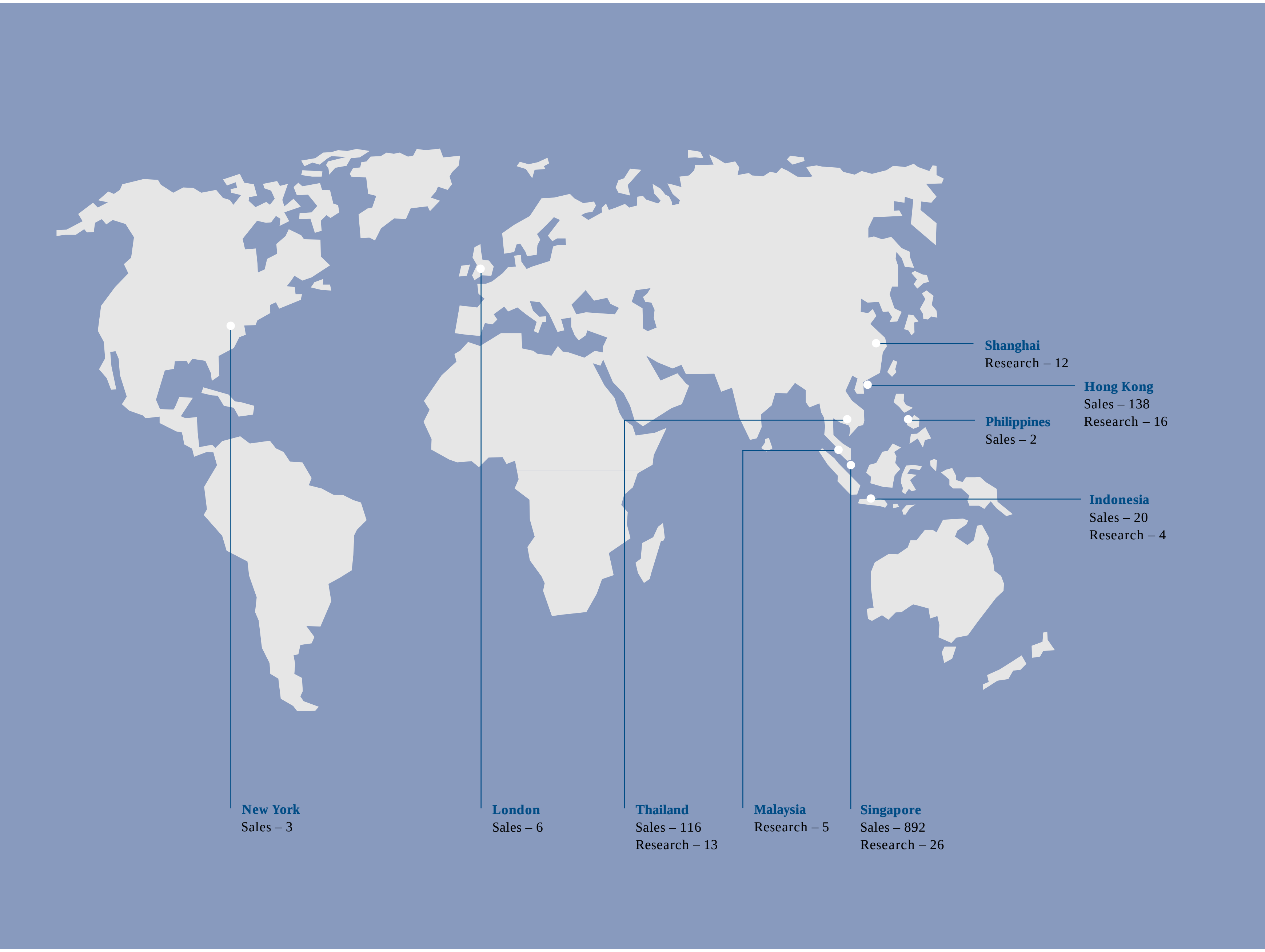
Group wide we employ approximately 1,922 professional and support staff globally. Our staff enrolment include 1,177 sales trading staff and agents, 76 research analysts and 669 management, credit and back-office support staff.

We achieved considerable scale and operational leverage from our synergistic acquisitions since 2001. We believe that our non-discretionary and fixed operating cost as a percentage of our revenue are the lowest amongst the listed brokerages in Singapore. We believe that our efficient cost structure will help us better weather the volatile trading conditions created by highly mobile fund flows in a global market dominated by hedged funds, leveraged traders as well as derivative driven trading activities. In buoyant market conditions as we have seen in recent times, our efficient operating leverage have manifested in our strong profit growth of 83.6% over the same period last year.

We aim to maintain our dominance in the Singapore IPO market as an underwriter and placement agent of choice. Going forward, UOB Kay Hian will seek to participate in larger and more demanding mandates to move up the value chain. Our excellent distribution network in Asia, London and New York is a significant advantage in securing high-value deals in the IPO market, with our institutional clientele base spanning the United States, Europe, the Middle East and Asia.

(continued)

Our Global Presence



Our Business Divisions

Corporate Advisory/Finance

We are a market leader in Singapore in providing underwriting and placement services in both primary and secondary listings. We have a dedicated and experienced research team covering the Singapore, Malaysia, Thailand, Indonesia and Greater China markets.

Structured Finance

We have acted as financer/arranger for complex structured finance transactions for principals acquiring strategic stakes in regional listed companies. Our key differentiators are our highly responsive and discreet service.

Retail and Institutional Sales

UOB Kay Hian is the largest stockbroker in Singapore, with 892 retail and institutional sales personnel. In addition, we have 285 sales executives covering Thailand, Hong Kong, China, the Philippines, Malaysia and Indonesia. We are hence able to provide a regional sales distribution that has both width and depth.

Internet Broking

Our online customer base and transactions are growing on the back of increased internet trading. Besides making improvements to our systems, we will also be establishing a regional online trading hub.

Margin-based Finance

Our margin-based financing business complements our sales and distribution capability. It is part of a suite of services that we provide as a one-stop service centre for our corporate and high net worth clientele.

Group Financial Highlights

	Group For the Year Ended 31.12.2006 (S$'000)	Group For the Year Ended 31.12.2005 (S$'000)	Group For the Year Ended 31.12.2004 (S$'000)	Group For the Year Ended 31.12.2003 (S$'000)
Revenue & Foreign Exchange Gain	421,003	302,077	312,517	326,723
Profit from Operations	166,937	89,804	98,110	96,079
Share of Results of Associated Companies After Tax	984	2,812	8,620	3,651
Profit Before Tax	167,921	92,616	106,730	99,730
Profit After Tax	139,052	75,736	85,334	78,458
Profit After Tax and Minority Interests	137,161	75,448	85,386	78,128
Equity *(excluding minority interests)*	810,588	732,676	656,784	615,369
Earnings Per Share	18.93 cents	10.41 cents	11.78 cents	10.78 cents
Gross Dividend Per Share	12.50 cents	8.50 cents	7.50 cents	7.00 cents
Net Assets Per Share	113.81 cents	102.96 cents	91.07 cents	85.76 cents
Percentage Return on Equity				
Profit Before Tax	21.76%	13.33%	16.78%	17.21%
Profit After Tax	18.02%	10.90%	13.42%	13.54%
Profit After Tax and Minority Interests	17.78%	10.86%	13.42%	13.49%

UOB-Kay Hian Share Price

(From 2 January 2006 to 15 March 2007 – daily)

Last Close: S$1.53

High: S$1.62

Low: S$1.08

Chairman's Statement

2006 has been an excellent year for UOB Kay Hian which as a Group has enjoyed record earnings.

Our 2006 financial results validate our strategy of expansion into the region. After a tentative start, 2006 saw strong growth in trading volumes in the latter part of the year in Singapore, Hong Kong, Indonesia and Philippines i.e. all but one of the markets we operate in. In Thailand our earnings were negatively affected by the weaker market sentiment prevailing there over much of 2006. Should these sentiments ease, we believe the Thai stock market and our operations there will benefit from the surrounding positive market sentiments. All our operations are supported by our sales offices in London and New York.

Our 2006 results also reflect the efficient operating leverage we have achieved through our aggressive brokerage acquisitions since early 2000.

In 2006 we also sought to provide higher value broking and corporate finance services to the fast growing enterprises operating in our region. Our drive in early 2006 to secure bigger and better lucrative listing and placement mandates saw us gaining more of these mandates than we did in 2005. We participated in just over 77% of all fund raisings through the SGX by China and China based companies in 2006, including a dual listing of a company on NASDAQ and SGX. By carrying out its various mandates successfully UOB Kay Hian is establishing a growing brand name for itself especially amongst mainland Chinese and other regional companies seeking to raise equity internationally.

Our timely and accurate equity research reports continue to enjoy a good following amongst global investors interested in the Asian capital markets.

We are pleased to announce our 2006 profit from ordinary activities after tax of S$139,052,000. This reflects an increase of some 83.6% over the previous year. Our overall commissions, loan facility and arranger fees was 42.1% higher than in 2006. Our 2006 earnings also reflect a strong return on equity ratio of 17.8%, up from 10.9% in 2005. Our operating margin of 35.1% is an improvement on the 28.2% in 2005 and our net asset value grew by 10.6% in 2006.

Dividend

Our Board of directors has recommended an increased dividend payout represented by final dividend less Singapore income tax of S$62.4m for the financial year ended 31 December 2006. This dividend represents an increase of 34.5% in real terms over 2005 and will be presented to shareholders for approval at the Annual General Meeting on 27 April 2007.

Current Year Prospects

The strong market volume in first quarter of 2007 and optimistic investor sentiment is good for the Group's prospects in the current year. Significant uncertainties, however, still exist in the United States over the performance of housing related loans and the potentially negative effects it could have on the US economy. Coupled with the policies in China taken to moderate her economy particularly in the property sector, this may give rise to significant market volatility over the remainder of the year and could moderate investor sentiment.

Barring any unforeseen market upheavals we believe that 2007 will continue to offer favourable prospects for our Company.

Acknowledgements

I thank all staff and associates for their hard work and contribution to the Group in 2006. I also thank Mr. Samuel Poon who retired as a director last year for all his services to the Group and welcome to the Board 2 new directors Mr. Esmond Choo and Mr. Francis Lee. I would also like to express my appreciation to our shareholders for their belief in and support for our Group.

Wee Ee-chao

Chairman and Managing Director

2006 Economic and Stock Market Review

CHINA

Review of 2006

The economy performed well in 2006 with real GDP expanding by 10.7% year-on-year (yoy) after a 10.4% gain in 2005. Consumer inflation was subdued at 1.5% yoy in 2006.

The government initiated a new round of measures in Apr 06 to avoid overheating, including monetary tightening and administrative measures to curb investment. As a result, economic growth was capped at 10.5% yoy in 2H06, down from 11% yoy in 1H06.

Investment growth decelerated (+24.5% in Jan-Dec 06 vs 31.3% in Jan-Jun 06). But consumption grew, and export increased 27.2% yoy in 2006, undeterred by the Rmb revaluation and the cut in export rebates. China posted a trade surplus of US$177.5b in 2006, a reason for the increase in domestic liquidity, as well as the inflation in real and financial assets.

Inflation stayed modest in 2006 despite the upward pressure from accelerating food prices towards year-end.

Outlook for 2007

We expect economic growth to slow down in 2007 with continued tightening policy and the prospect of softening external demand. Further Rmb revaluation is also expected with the continued pressure from the build-up in foreign reserves and also pressure from China's major trade partners; however the magnitude could be capped at 5%. Inflation is facing upward pressure, which may trigger interest rate hikes. Real GDP is forecast at 9.5% yoy.

Stock Market Outlook

With the lofty gains recorded in 2006 and possible government interventions aimed at cooling the hot China A-share market, China stocks may experience more volatility in 1H07. That said, the investment environment for China equities remains supportive in 2007 in the light of the strong economic growth, benign inflation, robust corporate earnings growth and abundant liquidity. Therefore, after a possible range-bound market in 1H07, we expect China stocks to resume its uptrend in 2H07. Our year-end target for the China H-share index is pegged at 11,800.

In terms of sector weighting, we continue to favour agriculture, financial, consumer and infrastructure stocks, which are prime beneficiaries of the government's measures to boost domestic demand and the robust consumption trend seen in the smaller cities. Exporters, on the other hand, may continue to lag behind given the upward pressure on the Rmb.

HONG KONG

Review of 2006

The economy achieved a robust growth of 6.8% in real GDP after the stellar growth of 7.3% in 2005, supported largely by the strong economic activity in mainland China. The strong economy exerted some inflationary pressure and resulted in broad-based job creation.

Export maintained its strength on the back of strong regional trade flow, rising 10.2% yoy. The strong growth was mainly from re-export trade, especially with mainland China. Private consumption held firm in 2006 underpinned by continued improvement in the job market and a strong stock market performance. Investment growth remained resilient, mainly attributable to expansion in the investment of machinery and equipment. Investment confidence was strong.

The government is likely to achieve a surplus of HK$38.6b in the operating account after 14 straight quarters of economic growth. The improvement in China's budgetary position paves the way for possible cuts in taxes on incomes, property transactions and duties on alcoholic drinks, which should favour private consumption.

Outlook for 2007

The economy could maintain solid growth in 2007 despite a possible slowdown in external demand. The outlook for export is cloudy due to US uncertainties while economic prospects remain largely sanguine for other trade partners. Domestically, consumer spending should be resilient on the back of continued improvement in the labour market.

Strong domestic consumption should offset slowing external demand. Also interest rate is likely to come off while inflation may continue to pick up, resulting in a lower real interest rate and thereby adding further support to the asset market. We expect Hong Kong's GDP to grow 5.2% yoy in 2007.

Stock Market Outlook

Overshadowed by the strong performance of China stocks, pure Hong Kong plays, including mostly local banks and property stocks, were out of favour and underperformed the Hang Seng Index significantly in 2006. But with the US interest rate upcycle coming to an end and the Rmb continuing to appreciate against the US dollar this year, Hong Kong will see its inflation slowly creep up and real interest rates decline further. This creates a favourable environment for Hong Kong asset prices.

Other key market drivers include the positive China factor and buoyant domestic demand, driven by the strong job market and the wealth effect of a strong equity market. Thus, we expect good support for Hong Kong blue chips this year. Smaller companies, including mostly local retail plays and industrial companies, should start to recover, thanks to stabilising rentals and raw material prices.

INDONESIA

Review of 2006

The economy expanded healthily in 2006, with real GDP rising by 5.5%, aided by higher commodity prices and lower inflation and interest rates. This healthy growth was sustained by exports and private consumption. However, lacklustre investment and government spending, which fell short of the budgeted allocation, hampered growth.

Net export, which expanded strongly in 1H06, slumped 4.6% in 4Q06 as growth in the US slowed and commodity prices softened. Nevertheless, full-year net export still expanded healthily by 15.6%. Consumption spending picked up gradually, ending the year with a healthy 3.8% rise. However, investment was lacklustre for much of the year, picking up only in 4Q06.

The benchmark interest rate was cut aggressively in 2006 by 300 basis point ("bp") to 9.5% to stimulate private consumption and domestic investment. Inflation was on a downward trajectory for most of the year, easing to 6.6% in December from a high of 17.9% in February. This fall in prices was the result of a drop in fuel prices as global demand and supply concerns eased.

Outlook for 2007

Economic growth should accelerate in 2007, supported by an improvement in domestic demand. Private consumption is expected to rise, underpinned by lower inflation and interest rates, while government spending should recover. Moreover, exports of commodities such as palm oil and rubber will also remain supportive of growth in 2007.

Stock Market Outlook

The Indonesian stock market did well in 2006. The Jakarta Composite Index rose 55% to 1,805 in 2006, making it the third best performing market in Asia, despite higher inflation and interest rates. The effects of fuel price hikes and the devastating Yogyakarta earthquake did not appear to have a significant impact on the market. The market has risen for the fourth consecutive year, and we remain positive on Indonesia's growth prospects.

In 2007, we expect the market to be supported by a reasonably strong economy, as well as lower inflation and interest rates. This should boost consumer purchasing power and business activities. The Jakarta floods in February, however, could slow down the decline of inflation and interest rates, and may dampen short-term market sentiments.

The Indonesian government has demonstrated its commitment to raising infrastructure spending. We are comfortable with the current stable political environment that is necessary for investment and business development. The government's privatisation programme may revive foreign investor interest and provide sound investment opportunities in this market.

MALAYSIA

Review of 2006

Despite growth moderating to 5.7% in 4Q06, the economy nevertheless expanded robustly by 5.9% for the full year.

This growth was mainly underpinned by favourable domestic conditions.

Despite some weaknesses in 2H06, the stable job market, rising stock market and favourable commodity prices have helped to keep private consumption spending buoyant for most of 2006. Similarly, increased opportunities for the private sector to play a bigger role in the economy following the announcement of the Ninth Malaysia Plan (9MP) led to stronger investment activities.

Also, the benign inflation scene has allowed monetary authorities to maintain an accommodative policy stance in favour of the economy. The benchmark overnight policy rate has been kept steady at 3.50% since Apr 06 amid easing inflation, even though full-year inflation was 3.6% higher than in 2005.

Outlook for 2007

The favourable domestic climate is likely to continue into 2007 amid a slowing global economy. With the 1% cut to the corporate income tax, the end of the interest rate upcycle and the start of the Visit Malaysia Year 2007, we should see greater contributions to economic growth from investment and tourism. More importantly, the 9MP should lead to greater private investment and government spending, particularly in infrastructure, helping to fortify the just recovering construction sector. With all of its engines roaring, the economy should continue to expand healthily in 2007.

Stock Market Outlook

We view the end of fiscal tightening, interest rate hikes, inflation momentum and political risk in 2006 as positive factors for the stock market in 2007. Fundamental support for the market will come from the new pro-growth polices and the big deals for the big caps.

Government policies started turning pro-growth with 9MP in 1Q06, stalled in 3Q06 when former PM Mahathir started attacking PM Adullah, and were revived in 4Q06. The government's new growth policy options will be favourable to the Kuala Lumpur Composite Index.

After two years of inactivity, most big caps engaged in mergers and acquisitions (M&A) in 2006. This contributed to a broad-based rally in 4Q06. The initial public offering (IPO) of Synergy Drive planned for 4Q07, with a market cap of more than US$10b, will be Malaysia's largest ever. We believe active big caps are a powerful market catalyst.

Key investment themes from 2006 remain intact for 2007, ie 9MP, construction & cement, power, hotel and plantations (from 2005). In addition, we see a possible revival in the property sector in 2007 as it is still at the early stage of a cyclical recovery. We advise staying focused on domestic plays for outperformance and to mitigate external risks.

SINGAPORE

Review of 2006

It was another year of robust growth. Real GDP rose 7.9% following 2005's 6.4%. Robust services and still healthy manufacturing, amid a slowing global economy and softening global electronics demand, provided the impetus for growth. Even construction, which had been a drag on the economy previously, managed growth of 2.7%.

Growth in 2006 was dragged down by softening global electronics demand. Electronics output expanded by only 3.2%, while exports rose by 4.3%. Support, however, came from pharmaceuticals and marine transport engineering, lifting full-year manufacturing growth to 11.5%.

The bright spot was the recovery in construction activities. The successful launch of the Business Financial Centre, the development of Orchard Turn and the construction of the integrated resort at Marina Bay were the catalysts that spurred a resurgence in the residential property sector. However, demand has been limited to the high-end residential segment to date.

Outlook for 2007

The rapid pace of economic growth over the past three years is expected to moderate in 2007. This is due to a slowdown in US growth and the softer global demand for electronics. Further downside risks include higher oil prices and avian flu epidemics. However, healthy economic growth in China, Japan and Germany should mitigate some of these downsides.

Stock Market Outlook

After the sharp rally in 2006, the stock market could be a lot more vulnerable to external shocks as valuations are more demanding. We expect greater volatility in 2007 as the market enters a more mature phase.

Slower economic growth and uncertainties in the key China and US markets could pose critical challenges for the market. The prospect of an economic slowdown also means that earnings momentum will be a lot more uncertain and valuation will be an issue.

But we remain positive about the longer-term fundamentals of the market. Singapore continues to enjoy a unique status as a regional safe haven. Besides political stability, recent government initiatives to build up Singapore as a global city should continue to attract investors and flow of funds into the city.

The key market themes that will drive interest in the local bourse are as follows: a) the boom in the luxury high-end property segment, b) flourishing tourism trade, given the initiatives to spruce up Orchard Road and other tourist attractions, including the integrated resorts, and c) a more vibrant domestic market, with the creation of a critical mass for Singapore's population.

THAILAND

Review of 2006

Despite the policy uncertainty and the unrest in the south, the economy managed to achieve a commendable growth of 5.3% in the first nine months of 2006.

The political and policy uncertainties leading up to the military takeover proved to be unsettling and added on to its country risk. Events after the coup including the advocacy of a self-sufficiency economic policy, policy flip-flops, imposition of capital controls and impending changes to the corporate ownership laws – added to investor negativity and resulted in a deterioration in consumer and investor sentiments.

On the monetary front, the benchmark 14-day Repo rate was left unchanged at 5.0% from July following four 25bp increases to keep inflation at bay. Easing inflation since July was supportive of this more accommodating monetary position. For the full year, inflation was slightly higher at 4.7% vs 2005's 4.5%.

Outlook for 2007

Economic prospects remain uncertain in 2007. The problems that plagued the economy in 2006 are likely to continue into 2007. The lack of significant economic initiatives and programmes plus a dearth of foreign investments are likely to be a drag on the economy. Consumption too is likely to remain lacklustre despite cuts in key interest rates and easing fuel prices as consumers continue to hold off spending amid all the uncertainties. The economy is thus likely to remain lacklustre in 2007, pending any new developments that could clear the clouds on the political front.

Stock Market Outlook

Beset with political problems in 2006, the Stock Exchange of Thailand ended 2006 at 680, 34 points lower than that in the year before. Average daily trading value was Bt16.3b, about the same as in 2005.

Amid the political turmoil, foreigners reduced exposure to Thailand and retail investors became more significant participants. Net purchase by foreign investors shrunk to Bt84.0b from Bt119.0b in 2005. Retail investors accounted for 55% of total trades while foreign investors accounted for 33%, and local institutional investors the remaining portion.

Despite recent adverse events, the Thai market could be more resilient than other regional markets in the current uncertain economic environment. Among the Asian markets, Thailand was the underperformer in 2006; therefore the market should be less vulnerable to negative developments in the external environment. The current political leadership, while seen to be a change towards a less democratic regime by some, does provide some anchor of stability in the interim before a handover to a democratically-elected government takes place. The long-term fundamentals for Thailand remain good, despite the short-term pains of transition.

Corporate Governance Report

This report describes UOB-Kay Hian Holdings Limited's corporate governance practices which are in essence in line with the recommendations in the Code of Corporate Governance 2005 (the "Code"). The Company is committed to maintaining a high standard of corporate governance and transparency and disclosure of material information.

The Board of directors is responsible for the corporate governance of the Company and its subsidiaries. The directors of the Company have a duty to act honestly, transparently, diligently, independently and in the best interests of all shareholders, in order to enhance shareholders' interest. The major processes by which the directors meet their duties are described in this report.

Board Of Directors

Guidelines

The Board comprises 9 directors, 4 executive, 2 non-executive and 3 independent directors. 2.1

On an ongoing basis, the Board examines its size and, with a view to determining the impact of the number upon effectiveness, decides on what it considers an appropriate size for the Board to facilitate effective decision making, taking into account the scope and nature of the Group's operations. 2.3

The roles of the chairman and managing director are not separated but the Board has a strong, independent group of directors to look after shareholders' interest. The Audit Committee, Remuneration Committee and Nominating Committee are chaired by independent directors. 3.1

The chairman ensures that Board meetings are held when necessary and sets the Board meeting agenda. The Board members are also provided with adequate and timely information for their review and consideration. 3.2

To facilitate effective management, certain functions may be delegated by the Board to Board Committees, each with its own terms of reference. The Board is assisted by an Audit Committee, a Remuneration Committee and a Nominating Committee. 1.3

The Board comprises directors who as a group provide core competencies such as business, law, finance, management and strategic planning experience and industry knowledge. 2.4

The following is a summary of directors' attendance at meetings of Board and various Board Committees in the financial year 2006:- 1.4

Name	Board		Audit Committee		Remuneration Committee		Nominating Committee	
	No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held	No. of Meetings Attended
Wee Ee-chao	4	2	–	–	–	–	–	–
Tang Wee Loke	4	4	4	4	3	3	2	2
Neo Chin Sang	4	4	–	–	–	–	–	–
Esmond Choo Liong Gee	4	2	–	–	–	–	–	–
Walter Tung Tau Chyr	4	4	–	–	3	2	–	–
Henry Tay	4	4	4	4	3	3	–	–
Chelva R Rajah	4	4	4	4	3	3	2	2
Roland Knecht	4	4	–	–	–	–	2	2
Francis Lee	4	1	4	1	–	–	–	–
Samuel Poon	4	–	4	1	–	–	–	–

Mr. Tang Wee Loke attended by invitation of the AC and RC. Stepped down as RC member on 3.07.06.
Mr. Esmond Choo was appointed as executive director on 31.05.06.
Mr. Walter Tung was appointed as RC member on 3.07.06.
Mr. Francis Lee was appointed as non-executive director and AC member on 3.07.06.
Mr. Samuel Poon resigned as non-executive director and AC member on 19.05.06.

Key information on the directors and their appointments on the various Board Committees and on key management staff of the Group is given under the section "Profile of Directors and Key Management Personnel" on pages 19 to 21. 4.6

The Board oversees the overall strategy, supervises the management, reviews management performance and reviews the affairs and financial position of the Company and the Group. Matters which are specifically reserved for the Board's decision include:- 1.1, 1.5

- quarterly and annual results announcements;
- financial statements;
- declaration of interim dividends and proposal of final dividends;
- convening of shareholders' meetings;
- major transactions; and
- interested person transactions.

To assist the Board in the discharge of its duties, management provides the Board with periodic accounts of the Company and the Group's performance, position and prospects. Directors receive Board papers in advance of Board and Board Committee meetings and have separate and independent access to the Company's senior management and Company secretary. There is a procedure whereby any director may in the execution of his duties, take independent professional advice. 6.1, 6.2, 6.3, 10.2

To familiarise newly appointed directors with the Group's business and corporate governance practices, directors are provided with relevant materials of the Group's business which explain activities and how the Group's business is managed. 1.6

Audit Committee ('AC')

The AC comprises three members, namely Dr. Henry Tay Yun Chwan (chairman), Mr. Chelva Retnam Rajah and Mr. Francis Lee. Dr. Tay and Mr. Rajah are independent directors and Mr. Lee is a non-executive director. At least two members have related financial management expertise or experience. The AC met a total of 4 times during the year. The deputy managing director, financial controller and internal audit senior manager and the external auditors normally attend the meetings. During the year, the chairman of the AC has had separate meetings with the external auditors and the internal audit senior manager. This is to provide the external auditors and the internal auditor with opportunities to discuss issues encountered in the course of their work directly with the AC. 11.1, 11.2, 11.3, 11.5, 11.8

The main terms of reference of the AC are:- 11.4

– to review with the internal and external auditors the adequacy of the internal control systems;
– to review the audit plans and findings of the internal and external auditors;
– to review all announcements of financial results; and
– to review interested person transactions.

The AC:-

– has full access to and co-operation from management as well as full discretion to invite any director or executive director to attend its meetings;

– has been given reasonable resources to enable it to complete its functions properly; and

– has reviewed findings and evaluations of the system of internal controls with internal and external auditors.

The AC, having reviewed the non-audit services provided by the external auditors and being satisfied that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors, has recommended their re-nomination. A sum of $43,698 was paid to the external auditors for non-audit services rendered during the year. The AC annually reviews the independence of the external auditors. 11.4, 11.6

Internal Controls

The Board is responsible for ascertaining that management maintains a sound system of internal controls to safeguard the shareholders' investments and the Group's assets. The Board believes that the system of internal controls that has been maintained by management throughout the financial year is adequate to meet the needs of the Group in its current business environment. The system of internal controls is designed to manage rather than eliminate the risk of failure to achieve business objectives. It can only provide reasonable and not absolute assurance against material misstatement or loss, errors, poor judgement, fraud and other irregularities and unforeseen events. 12.1, 12.2

During the year, the AC, on behalf of the Board, has reviewed the effectiveness of the Group's material internal controls. The processes used by the AC to review the effectiveness of the system of internal control and risk management include:

– discussions with management on risks identified by management;

– the audit processes;

– the review of internal and external audit plans; and

– the review of significant issues arising from internal and external audits.

Internal Audit

Internal audit performs continuous monitoring to ensure compliance with Group policies, internal controls and procedures designed to manage and safeguard the business and assets of the Group. The work of internal audit is focused on areas of greatest risk to the Group as determined through the audit planning process. The formal reports resulting from such reviews are provided to the AC and the chairman of the Board. The Company's external auditors, PricewaterhouseCoopers, contribute a further independent perspective on certain aspects of the internal financial control system arising from their work and annually report their findings to the AC. 13.1

The internal audit senior manager's line of functional reporting is to the chairman of the AC. Administratively, the internal auditor reports to the chairman and managing director of the Company.

The AC is satisfied that the internal audit function is adequately resourced to carry out its duties effectively and has appropriate standing within the Company. 13.3

The AC reviews, on a regular basis, the adequacy of the internal audit function and whether the internal audit function meets the Standards for Professional Practice of Internal Auditing set by the Institute of Internal Auditors. 13.2, 13.4

Remuneration Committee ('RC')

The RC has three members and comprises independent directors, Mr. Chelva Retnam Rajah (chairman) and Dr. Henry Tay Yun Chwan and non-executive director, Mr. Walter Tung. The RC has access to external consultants for expert advice on executive compensation, if necessary. 7.1, 7.2

The main terms of reference of the RC are:-

– to make recommendations to the Board with regard to the remuneration of directors and key executives and to ascertain that they are fairly remunerated; and 7.2

– to formulate the framework of remuneration for the directors and key executives.

The Group's remuneration policy is to provide compensation packages at market rates which reward successful performance and attract, retain and motivate directors and managers. 8.1, 8.2, 8.3

The RC reviews the remuneration packages of the Company's executive directors, which are based on the performance of the Group and the individual. All directors' fees are subject to the approval of shareholders at the annual general meeting.

For sensitivity and competitive reasons, the Company is not disclosing Directors' remuneration within bands of $250,000. The remuneration of the directors of the Company for the financial year ended 31 December 2006 is as follows:- 9.1, 9.2

Name	Fees (%)	Salary (%)	Bonus (%)	OtherBenefits (%)
Above $5,000,000				
Wee Ee-chao	–	5.46	94.54	–
Tang Wee Loke	–	4.92	95.08	–
Above $2,500,000 to $3,000,000				
Esmond Choo	–	10.51	89.49	–
Above $500,000 to $1,000,000				
Neo Chin Sang	–	50.02	49.98	
Below $250,000				
Walter Tung	100	–	–	–
Francis Lee	100	–	–	–
Henry Tay	100	–	–	–
Chelva Retnam Rajah	100	–	–	–
Roland Knecht	100	—	–	–

The Company is of the view that disclosure of the remuneration of key management staff will be detrimental to the Group's interest because of the very competitive nature of the stockbroking industry.

The Company and its subsidiaries do not have any employee who is an immediate family member of a director. 9.3

The Company does not have any employee share option scheme. 9.4

Nominating Committee ('NC')

The NC has three members and comprises independent directors, Mr. Roland Knecht (chairman) and Mr. Chelva Retnam Rajah and executive director, Mr. Tang Wee Loke. 4.1

The main terms of reference of the NC are:- 4.2, 4.3, 4.4, 4.5

- to review and make recommendations to the Board on all board appointments and re-appointments and to consider the skills and experience required to ensure the Board has the appropriate balance of independent directors with the right expertise skills, attributes and ability. New directors may be appointed by a Board resolution following which they are subject to re-elections by shareholders at the next annual general meeting;
- to oversee the composition of the Board and to ensure that they meet the composition and balance required under the Code;
- to ascertain that the independent directors meet the criteria set out in the Code; and
- to assess the effectiveness of the Board as a whole and the contribution by each director to the effectiveness of the Board. To assist the NC in its evaluation, the directors complete a self-evaluation questionaire annually.

There is a process for the NC to evaluate the performance of the Board. Objective performance criteria used to assess the performance of the Board include:- 5.1, 5.2, 5.3

- comparison with industry peers;
- return on assets; and
- return on equity.

Communication With Shareholders 15.1, 15.3

The Board regards the annual general meeting as an opportunity to communicate directly with private investors and encourages participative dialogue. The members of the Board will attend the annual general meeting and are available to answer questions from shareholders present. External auditors are also present to assist directors in addressing relevant queries by shareholders.

To maintain transparency, the Company makes timely disclosures to the public via SGXNET and postings on the Company's website. 14.2

Dealings In Securities

The Group has adopted an internal code of best practices on securities transactions to provide guidance to its directors and officers in relation to dealings in the Company's securities. A system of reporting of securities dealings to the Company secretary by directors has been established to effectively monitor the dealings of these parties in the securities of the Company. In addition, a circular is issued before the start of each moratorium period to remind officers to refrain from dealing in the Company's securities prior to the release of the Group's financial results.

Interested Person Transactions

During the financial year, there was no new interested person transaction entered into by the Group as defined under the Listing Manual.

The rental of office premises paid to an interested person for the year is disclosed in note 32 of the notes to the financial statements.

The Company does not have any shareholders' mandate to conduct interested person transactions.

Material Contracts

Except as disclosed in the directors' report and financial statements, no material contracts (including loans) of the Company or its subsidiaries involving the interests of the chief executive officer or any director or controlling shareholders subsisted at the end of the financial year or have been entered into since the end of the financial year or have been entered into since the end of the previous financial year.

Profile of Directors & Key Management Personnel

Directors of UOB-Kay Hian Holdings Limited

Mr. Wee Ee-chao holds a Bachelor of Business Administration degree. He joined Kay Hian Pte Ltd in 1981 as Managing Director and became Chairman of Kay Hian Holdings Limited in 1996. He has been closely involved in the management and growth of UOB Kay Hian over the last 26 years. In August 2000 when UOB-Kay Hian Holdings Limited was incorporated with the merger of Kay Hian Holdings Limited and UOB Securities Pte Ltd (UOBS), Mr. Wee was appointed Chairman of UOB-Kay Hian Holdings Limited.

Besides his stockbroking involvement in UOB Kay Hian, Mr. Wee is also involved in real estate development and investment in the region. Mr. Wee also serves on the Board of Haw Par Limited, UOL Limited and Hotel Plaza Limited as a non-executive director.

In 2005, he was appointed to the Committee of the Real Estate Developers' Association of Singapore.

Mr. Tang Wee Loke holds a Bachelor of Business Administration degree. He began his career in Kay Hian Pte Ltd as an Analyst in 1973 and became a Director in 1977. Mr. Tang has been Deputy Managing Director of Kay Hian Pte Ltd since 1990. His involvement includes research, sales and general administration. When Kay Hian Holdings Limited merged with UOBS in August 2000, he was appointed Deputy Managing Director of UOB-Kay Hian Holdings Limited. He is a member of the Nominating Committee.

He was a committee member of the Stock Exchange of Singapore from 1986 to 1999.

He has been serving on the SGX board as independent director since 19 December 2002. He is also the Vice-Chairman of the Securities Association of Singapore which represents the interest of SGX securities trading members in Singapore.

Mr. Neo Chin Sang joined the UOB Banking Group as a senior management staff in 1982, in charge of various administrative and operations activities. Prior to this, he held various management positions in various companies, including publicly listed corporations, for over 15 years.

In early 1992, he was seconded to head the UOB Banking Group's stockbroking arm, UOB Securities Pte Ltd (UOBS) as the Chief Executive Officer.

When UOB-Kay Hian Holdings Limited was incorporated, after the merger of UOBS and Kay Hian Holdings Limited, in August 2000, Mr. Neo was appointed as an Executive Director of the merged entity.

Mr. Neo is a Fellow Member of the Chartered Association of Certified Accountants and an Associate Member of the Institute of Chartered Secretaries & Administrators. He is also a Member of the Institute of Certified Public Accountants of Singapore.

Mr. Esmond Choo Liong Gee was first appointed an Executive Director of UOB Kay Hian Pte Ltd on 1 October 2001 and then as Executive Director of UOB-Kay Hian Holdings Limited on 31 May 2006. In addition to his role in the Group Executive Committee, he is involved in the strategic planning and development of the Group's Equity Capital Market business.

Prior to joining our Group, he was the Executive Director of RHB-Cathay Securities Pte Ltd since 1994 and had overall responsibility for RHB-Cathay's institutional dealing and equity research operations. Prior to joining RHB-Cathay he was the regional CEO of Sedgwick's captive insurance operations in Asia Pacific where Sedgwick Plc was a leading insurance brokerage.

Mr. Choo has accumulated substantial experience in the finance and insurance sectors since 1986 and is a member of the Institute of Chartered Accountants in Australia.

Profile of Directors & Key Management Personnel

Dr. Henry Tay Yun Chwan graduated with a MBBS (Honours) from Monash University in 1969. He was appointed Director and Audit Committee Member of Kay Hian Holdings Limited on 1 August 1997 and became Chairman of the Audit Committee on 20 March 2000. When UOB-Kay Hian Holdings Limited was incorporated in August 2000, he was appointed Director and Chairman of the Audit Committee. Dr. Tay is an Independent Director of the Company.

He is the Executive Chairman of The Hour Glass Limited and the Honorary President of The Hongkong-Singapore Business Association. He also holds directorships in several private companies with diverse interests including real estate, F & B and entertainment. His previous appointments included being Vice-Chairman of the Community Chest, a Board Member of Singapore Tourism Board and Patron of the Singapore Kennel Club. He is an active fund raiser for various charitable organizations.

Dr Tay has received many awards including the Friends of Ministry of Community Development and Sports Award in 2002 and the President's Social Service Award in 2005.

Mr. Chelva Retnam Rajah was educated at Lincoln College, Oxford University and Middle Temple, London. In 1972, he was admitted as an Advocate and Solicitor of the Supreme Court. During various periods from 1990 to 1995, he served as President of the Law Society of Singapore, Vice-President of the Singapore Academy of Law and Member of the Military Court of Appeal. He was appointed Senior Counsel in 1998. He is currently a partner at Tan Rajah & Cheah, Advocates & Solicitors.

Mr. Rajah was appointed Independent Director and Audit Committee member of Kay Hian Holdings Limited on 1 November 1999 and remained in the same positions when UOB-Kay Hian Holdings Limited was incorporated in August 2000. On 1 October 2002, he was appointed the Chairman of the Remuneration Committee.

Mr. Rajah is also the Chairman of Cathay Organisation Holdings Ltd and a non-executive director of Overseas Enterprise Limited.

Mr. Walter Tung Tau Chyr (BBA, MBA) joined Kay Hian in 1982 as Research Analyst, and was appointed Head of Research in 1983. He became a Director of Kay Hian Pte Ltd in 1985, Director of Kay Hian Holdings Limited in 1990 and Director of UOB-Kay Hian Holdings Limited in 2000.

Mr. Tung retired as Director of UOB Kay Hian Pte Ltd in 2004. He remains on the Board of Directors of UOB-Kay Hian Holdings Limited as a non-executive director. He is a member of the Remuneration Committee.

Mr. Roland Knecht graduated from Swiss Mercantile School Wil. He was appointed a Director of UOB-Kay Hian Holdings Limited on 1 September 2002. He is an Independent Director and Chairman of the Nominating Committee.

He is a member of the Executive Board Private Banking of Clariden Leu AG and is in charge of the Business Area Eastern Europe, Asia and Middle East. He is also the director of Clariden Leu Asset Management (Hong Kong) Ltd, Clariden Leu Trust (Singapore) Ltd and Clariden Leu Trust Management Ltd.

Mr. Francis Lee Chin Yong was appointed a non-executive director of UOB-Kay Hian Holdings Limited on 3 July 2006 and is a member of the Audit Committee.

Mr. Lee is a Senior Executive Vice President in UOB. He oversees the Bank's individual banking business and is responsible for driving the Bank's business outside Singapore. Prior to his appointment in Singapore, he was heading the Bank's operations in Malaysia. He holds a Malaysia Certificate of Education. Mr. Lee has held various senior positions in operations, consumer services and corporate lendings in the bank.

Key management personnel of the Group

Singapore

Mr. Wong Khai Wah joined UOB Kay Hian Pte Ltd as an Executive Director in October 2001. He is responsible for the management and supervision of the trading representatives. Prior to this, he was the Managing Director of the former RHB-Cathay Securities Pte Ltd for 28 years.

Mr. Lee It Hoe joined UOB Kay Hian Pte Ltd as an Executive Director in 2002. Mr. Lee holds a Diploma from the Singapore Polytechnic. He has a total of 26 years' experience in the securities industry having previously been an Executive Director of the former Grand Orient Securities Pte Ltd. He is responsible for the management and supervision of the trading representatives.

Mr. Tan Chek Teck is the Executive Director responsible for Operations. He graduated with an Honours degree from the University of Edinburgh and is a member of the Institute of Chartered Accountants of Scotland as well as the Institute of Certified Public Accountants of Singapore.

Mr. Tan has been working in the stockbroking industry since 1990. Prior to that he spent 6 years working in Scotland and Singapore with an international public accounting firm.

Mr. Lim Seng Bee was appointed as Executive Director of UOB Kay Hian Private Limited in June 2005. In addition to his role as Managing Director of UOB Kay Hian (Hong Kong) Ltd, he is also involved in general management of the Singapore operations.

Mr. Lim holds a Bachelor of Science degree from the Stern School of Business of New York University. Prior to joining UOB Kay Hian (Hong Kong) Limited, he had extensive experience in managing the securities business of various other companies in Hong Kong.

Hong Kong

Mr. Lim Seng Bee joined UOB Kay Hian (Hong Kong) Limited as its Managing Director in May 2001. He is responsible for the Hong Kong office's business development, corporate planning, policies formulation and overall operations.

He was appointed as Executive Director of UOB Kay Hian Private Limited in June 2005.

Mr. Mickey Lee Long Chin holds a Bachelor of Engineering degree from the National University of Singapore. He was appointed the Deputy Managing Director of UOB Kay Hian (Hong Kong) Limited in 2006. He is in charge of the Hong Kong operation, reporting to Mr. Lim Seng Bee. He was with Phillip Securities since 1987 and has about 20 years of experience in the stock-broking industry in Hong Kong and Singapore.

Thailand

Mr. Chaipat Narkmontanakum holds a Bachelor Degree from Chulalongkorn University, majoring in Accounting and MBA from University of La Verne, USA. He joined UOB Kay Hian Securities (Thailand) Co, Ltd as Managing Director of Retail Sales in 2003 and Co-Chief Executive Officer in 2004. He is responsible for the management and growth of the company, particularly in retail sales business, retail research and business development. He has more than 10 years of experience in the securities business with companies such as Union Securities, Nava Securities, BNPP Securities and DBS Vickers Securities.

Mr. Victor Yuen Tuck Choy is the Co-Chief Executive Officer responsible for institutional business as well as back room operation. He has been working in the stockbroking industry for more than 15 years.

Mr. Yuen has a MBA from the University of Warwick. He joined UOB Kay Hian in 2001.

The directors present their report to the members together with the audited financial statements of the Group for the financial year ended 31 December 2006 and the balance sheet of the Company at 31 December 2006.

Directors

The directors of the Company in office at the date of this report are as follows :

Wee Ee-chao

Tang Wee Loke

Walter Tung Tau Chyr

Neo Chin Sang

Henry Tay Yun Chwan

Chelva Retnam Rajah

Roland Knecht

Esmond Choo Liong Gee *(appointed on 31 May 2006)*

Francis Lee Chin Yong *(appointed on 3 July 2006)*

Arrangements to enable directors to acquire shares and debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object is to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Directors' interests in shares or debentures

(a) According to the register of directors' shareholdings, none of the directors holding office at the end of the financial year had any interests in the shares or debentures of the Company or its related corporations, except as follows:

	Holdings registered in name of director or nominee		**Holdings in which a director is deemed to have an interest**	
	At 31.12.2006	At 1.1.2006 or date of appointment, if later	At 31.12.2006	At 1.1.2006 or date of appointment, if later
The Company *(Ordinary shares)*				
Wee Ee-chao	–	–	116,626,976	116,626,976
Tang Wee Loke	29,893,381	29,893,381	2,100,000	2,100,000
Walter Tung Tau Chyr	2,542,422	2,542,422	–	–

(b) The directors' interests in the ordinary shares of the Company and of related corporations as at 21 January 2007 were the same as at 31 December 2006.

Directors' contractual benefits

During the financial year, the Company and certain subsidiaries have engaged in transactions in the normal course of business with the directors and companies in which certain directors have substantial financial interests. However, the directors have not received nor will they become entitled to receive any benefits arising out of these transactions other than those which they may be entitled as customers, employees or shareholders of these companies.

Since the end of the previous financial year, no director has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member or with a company in which he has a substantial financial interest, except as disclosed in the consolidated financial statements and in this report.

Share options

There were no options granted during the financial year to subscribe for unissued shares of the Company or of its subsidiaries.

No shares have been issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company or of its subsidiaries.

There were no unissued shares under option in respect of the Company or its subsidiaries at the end of the financial year.

Auditors

The auditors, PricewaterhouseCoopers, have expressed their willingness to accept re-appointment.

On behalf of the board of directors

Wee Ee-chao
Director

Tang Wee Loke
Director

Singapore, 22 March 2007

Statement by Directors

For the financial year ended 31 December 2006

In the opinion of the directors,

(a) the balance sheet of the Company and the consolidated financial statements of the Group as set out on pages 26 to 62 are drawn up so as to give a true and fair view of the state of affairs of the Company and of the Group at 31 December 2006 and of the results of the business, changes in equity and cash flows of the Group for the financial year then ended; and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the board of directors

Wee Ee-chao
Director

Tang Wee Loke
Director

Singapore, 22 March 2007

Independent Auditor's Report

To the Members of UOB-Kay Hian Holdings Limited

We have audited the financial statements of UOB-Kay Hian Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 26 to 62, which comprise the balance sheets of the Company and of the Group as at 31 December 2006, the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement of the Group for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Financial Statements

The Company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with the provisions of the Singapore Companies Act and Singapore Financial Reporting Standards. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit includes performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion,

(a) the balance sheet of the Company and the consolidated financial statements of the Group are properly drawn up in accordance with the provisions of the Singapore Companies Act (the "Act") and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2006, and the results, changes in equity and cash flows of the Group for the financial year ended on that date; and

(b) the accounting and other records required by the Act to be kept by the Company and by those subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

PricewaterhouseCoopers
Certified Public Accountants

Singapore, 22 March 2007

Consolidated Income Statement

For the financial year ended 31 December 2006

	Notes	The Group 2006 $	The Group 2005 $
Revenue	5	**417,962,561**	296,890,833
Foreign exchange gain		**3,040,377**	5,186,294
Gain on dilution of interest in subsidiary		**–**	6,023,807
Realised gain on financial assets, available-for-sale		**20,296,841**	–
Commission expenses		**(83,577,819)**	(64,477,799)
Personnel expenses	6	**(124,662,941)**	(98,115,199)
Finance expense	7	**(13,907,355)**	(3,967,310)
Other operating expenses	8	**(52,214,349)**	(51,736,532)
Profit from operations		**166,937,315**	89,804,094
Share of results of associated companies after tax	18	**984,104**	2,811,897
Profit before tax		**167,921,419**	92,615,991
Income tax expense	9	**(28,869,212)**	(16,879,712)
Profit after tax		**139,052,207**	75,736,279
Attributable to:			
Equity holders of the Company		**137,161,131**	75,448,053
Minority interests		**1,891,076**	288,226
		139,052,207	75,736,279
Earnings per share – basic and diluted (cents)	10	**18.93**	10.41

The accompanying notes form an integral part of these financial statements.
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Balance Sheets

As at 31 December 2006

	Notes	The Group 2006 $	The Group 2005 $	The Company 2006 $	The Company 2005 $
ASSETS					
Current assets					
Cash and cash equivalents	11	**133,091,580**	224,142,201	**17,259,999**	51,720,594
Outstanding contracts receivable	12(a)	**1,447,526,901**	647,330,871	**–**	–
Trade receivables	13	**1,038,906,331**	561,279,537	**–**	–
Financial assets at fair value through profit or loss	14(a)	**9,001,174**	2,321,243	–	–
Other current assets	15	**34,599,252**	13,671,273	**169,358,373**	64,026,172
Derivative financial instruments	31	**11,117**	477	**–**	–
		2,663,136,355	1,448,745,602	**186,618,372**	115,746,766
Non-current assets					
Loans to subsidiaries	16	**–**	–	**32,402,234**	32,460,824
Investments					
– in subsidiaries	17	**–**	–	**178,577,304**	266,997,855
– in associated companies	18	**14,270,932**	37,916,698	**2,648,128**	–
Financial assets, available-for-sale	19	**28,343,830**	29,661,819	**–**	–
Trading rights in Exchanges	20	**109,318**	115,372	**–**	–
Memberships in Exchanges		**26,350**	26,118	**–**	–
Property, plant and equipment	21	**4,146,080**	6,315,000	**–**	–
Deferred income tax assets	24	**35,854**	35,029	**–**	–
		46,932,364	74,070,036	**213,627,666**	299,458,679
Total assets		**2,710,068,719**	1,522,815,638	**400,246,038**	415,205,445
LIABILITIES					
Current liabilities					
Outstanding contracts payable	12(b)	**1,426,208,532**	629,808,507	**–**	–
Trade and other payables	22	**88,399,555**	48,368,389	**17,146,544**	21,612,799
Financial liabilities at fair value through profit or loss	14(b)	**71,464**	27,858	**–**	–
Borrowings	23	**338,518,273**	71,775,706	**98,811,364**	–
Current income tax liabilities		**31,347,206**	25,659,321	**297,817**	280,877
Derivative financial instruments	31	**14,964**	214,420	**–**	–
		1,884,559,994	775,854,201	**116,255,725**	21,893,676
Non-current liabilities					
Deferred income tax liabilities	24	**723,808**	798,717	**–**	–
		723,808	798,717	**–**	–
Total liabilities		**1,885,283,802**	776,652,918	**116,255,725**	21,893,676
Net assets		**824,784,917**	746,162,720	**283,990,313**	393,311,769
EQUITY					
Capital and reserves attributable to equity holders of the Company					
Share capital	25	**72,470,901**	72,470,901	**72,470,901**	72,470,901
Reserves	26	**21,169,979**	247,244,629	**–**	154,205,891
Retained earnings		**716,946,683**	412,960,767	**211,519,412**	166,634,977
		810,587,563	732,676,297	**283,990,313**	393,311,769
Minority interests		**14,197,354**	13,486,423	**–**	–
Total equity		**824,784,917**	746,162,720	**283,990,313**	393,311,769
Clients' trust/segregated accounts					
Bank balances					
– with affiliated corporations		**143,365,753**	71,317,956	**–**	–
– with non-related banks		**329,517,964**	211,175,787	**–**	–
Margin with clearing house		**5,414,513**	5,857,733	**–**	–
Less: Amounts held in trust		**(478,298,230)**	(288,351,476)	**–**	–
		–	–	**–**	–

The accompanying notes form an integral part of these financial statements.
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Consolidated Statement of Changes in Equity

For the financial year ended 31 December 2006

	Notes	Share capital $	Capital reserve $	Capital reserve on consolidation $
		← Attributable to equity		
Balance at 1 January 2006		**72,470,901**	**154,205,891**	**71,270,568**
Fair value gains on financial assets, available-for-sale	19	–	–	–
Currency translation differences		–	–	–
Net gain recognised directly in equity		–	–	–
Net profit for the financial year		–	–	–
Total recognised gains/(losses) for the financial year		–	–	–
Fair value gains transferred to income statement on realisation		–	–	–
Final dividend for 2005 paid	27	–	–	–
Interim dividend for 2006 paid	27	–	–	–
Transfer to retained earnings upon liquidation of subsidiary	26(b)	–	(154,205,891)	(71,270,568)
Transfer from retained earnings to statutory reserve	26(d)	–	–	–
Acquisition of additional interest in subsidiary		–	–	–
Payment of dividends by a subsidiary		–	–	–
Balance at 31 December 2006		**72,470,901**	–	–
Balance at 1 January 2005		72,470,901	202,332,260	53,897,711
Fair value gains on financial assets, available-for-sale	19	–	–	–
Currency translation differences		–	–	–
Net gain recognised directly in equity		–	–	–
Net profit for the financial year		–	–	–
Total recognised gains for the financial year		–	–	–
Net transfer to retained profits and adjustment to capital reserve on consolidation for dividend received from subsidiaries distributed out of its pre-acquisition profits		–	(48,126,369)	17,372,857
Final dividend for 2004 paid	27	–	–	–
Interim dividend for 2005 paid	27	–	–	–
Dilution of interest in subsidiary		–	–	–
Transfer from retained earnings to statutory reserve	26(d)	–	–	–
Redemption of shares by a subsidiary		–	–	–
Balance at 31 December 2005		**72,470,901**	**154,205,891**	**71,270,568**

The accompanying notes form an integral part of these financial statements.
Auditors' Report – Page 25.

holders of the Company →

Statutory reserve $	Fair value reserve $	Foreign currency translation reserve $	Retained earnings $	Minority interests $	Total Equity $
639,764	**25,227,753**	**(4,099,347)**	**412,960,767**	**13,486,423**	**746,162,720**
–	21,657,392	–	–	(3,448)	21,653,944
32,463	8,271	(2,634,415)	–	565,543	(2,028,138)
32,463	21,665,663	(2,634,415)	–	562,095	19,625,806
–	–	–	137,161,131	1,891,076	139,052,207
32,463	**21,665,663**	**(2,634,415)**	**137,161,131**	**2,453,171**	**158,678,013**
–	(20,296,841)	–	–	–	(20,296,841)
–	–	–	(46,381,377)	–	(46,381,377)
–	–	–	(11,595,344)	–	(11,595,344)
–	–	331,657	225,144,802	–	–
364,156	–	–	(343,296)	(20,860)	–
–	–	(60,874)	–	(1,349,449)	(1,410,323)
–	–	–	–	(371,931)	(371,931)
1,036,383	**26,596,575**	**(6,462,979)**	**716,946,683**	**14,197,354**	**824,784,917**
–	14,070,473	(4,201,481)	351,072,390	3,237,514	692,879,768
–	11,198,613	–	–	–	11,198,613
–	–	101,528	–	(208,606)	(107,078)
–	11,198,613	101,528	–	(208,606)	11,091,535
–	–	–	75,448,053	288,226	75,736,279
–	**11,198,613**	**101,528**	**75,448,053**	**79,620**	**86,827,814**
–	–	–	30,753,512	–	–
–	–	–	(40,583,705)	–	(40,583,705)
–	–	–	(2,898,836)	–	(2,898,836)
(190,883)	(41,333)	606	–	12,886,437	12,654,827
830,647	–	–	(830,647)	–	–
–	–	–	–	(2,717,148)	(2,717,148)
639,764	**25,227,753**	**(4,099,347)**	**412,960,767**	**13,486,423**	**746,162,720**

Consolidated Cash Flow Statement

For the financial year ended 31 December 2006

	Notes	2006 $	2005 $
Cash flows from operating activities			
Profit before tax and after share of results of associated companies		**167,921,419**	92,615,991
Adjustments for:			
Share of results of associated companies		**(984,104)**	(2,811,897)
Depreciation and amortisation expenses	8	**3,674,940**	7,794,575
Gain on dilution of interest in subsidiary		**–**	(6,023,807)
(Gain)/Loss on disposal of property, plant and equipment		**(25,111)**	18,639
Realised gain on financial assets, available-for-sale		**(20,296,841)**	–
Dividend income from quoted securities	5	**(1,080,960)**	(3,071,620)
Allowance for impairment of investment in associated companies		**1,000,000**	–
Allowance for impairment of goodwill on acquisition of additional interest in subsidiary		**360,714**	–
Interest income	5	**(50,358,884)**	(28,870,752)
Interest expense	7	**13,907,355**	3,967,310
Exchange differences		**(2,331,154)**	(47,985)
Operating cash flow before working capital changes		**111,787,374**	63,570,454
Changes in operating assets and liabilities:			
Financial assets/liabilities at fair value through profit or loss		**(6,636,325)**	1,072,178
Debtors and outstanding contracts receivable		**(1,298,761,443)**	(337,297,883)
Due from associated companies		**–**	(73,189)
Creditors and outstanding contracts payable		**836,231,735**	209,469,363
Cash used in operations		**(357,378,659)**	(63,259,077)
Interest received	5	**50,358,884**	28,870,752
Interest paid	7	**(13,907,355)**	(3,967,310)
Drawdown of short-term bank loans		**257,560,708**	16,737,050
Income tax paid		**(22,952,798)**	(15,878,101)
Net cash used in operating activities		**(86,319,220)**	(37,496,686)

The accompanying notes form an integral part of these financial statements.
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	Notes	2006 $	2005 $
Cash flows from investing activities			
Payments for property, plant and equipment	21	**(1,543,068)**	(1,964,211)
Proceeds from sale of financial assets, available-for-sale		**22,995,965**	–
Proceeds from disposal of property, plant and equipment		**34,512**	21,047
Proceeds from redemption of preference shares in associated company		**10,000,000**	–
Payment to minority interest for dividend		**(371,931)**	–
Payment to minority interest for additional interest in a subsidiary		**(1,710,163)**	–
Payment to minority interest for redemption of shares by a subsidiary		**–**	(2,717,148)
Contributions by minority interests		–	18,470,452
Dividends received from quoted securities		**1,080,960**	3,071,620
Dividend received from associated companies		**13,577,186**	5,839,666
Net cash provided by investing activities		**44,063,461**	22,721,426
Cash flows from financing activities			
Dividends paid		**(57,976,721)**	(43,482,541)
Net cash used in financing activities		**(57,976,721)**	(43,482,541)
Net decrease in cash and cash equivalents during the financial year		**(100,232,480)**	(58,257,801)
Cash and cash equivalents at beginning of the financial year		**220,164,295**	278,422,096
Cash and cash equivalents at end of the financial year	11	**119,931,815**	220,164,295

Notes to the Financial Statements

For the financial year ended 31 December 2006

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1. General

UOB-Kay Hian Holdings Limited (the "Company") is incorporated and domiciled in Singapore. The address of its registered office is 80 Raffles Place, #30-01 UOB Plaza 1, Singapore 048624.

The Company is listed on the Singapore Exchange.

The principal activity of the Company is that of investment holding. The principal activities of its subsidiaries are stockbroking, futures broking, investment trading, margin financing, investment holding and provision of nominee and research services.

In the financial statements, affiliated corporations refer to corporations which are shareholders of the Company or corporations in which certain shareholders of the Company control or have significant financial interests.

2. Significant accounting policies

2.1 Basis of preparation

The financial statements have been prepared in accordance with Singapore Financial Reporting Standards ("FRS"). The financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with FRS requires management to exercise its judgement in the process of applying the Group's accounting policies. It also requires the use of accounting estimates and assumptions. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 4.

Interpretations and amendments to published standards effective in 2006

On 1 January 2006, the Group adopted the new or revised FRS that are mandatory for application from that date. Changes to the Group's accounting policies have been made as required, in accordance with the relevant transitional provisions in the respective FRS.

The following are the FRS that are relevant to the Group:

FRS 19	(Amendment) Employee Benefits
FRS 21	(Amendment) The Effects of Changes in Foreign Exchange Rates
FRS 32	(Amendment) Financial Instruments: Disclosure and Presentation
FRS 39	(Amendment) Financial Guarantee Contracts
INT FRS 104	Determining whether an Arrangement contains a Lease

The adoption of the above FRS did not result in substantial changes to the Group's accounting policies, except for the adoption of FRS 39 (Amendment) of which the effect is disclosed in Note 3.

2.2 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the rendering of services in the ordinary course of the Group's activities. Revenue is presented net of goods and services tax, rebates and discounts, and after eliminating sales within the Group. Revenue is recognised as follows:

Commission income is recognised as earned on the date the contracts are entered into.

Interest income is recognised on a time proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cashflow discounted at original effective interest rate of the instrument.

Dividend income is recognised when declared payable by the investee company.

Revenue from custodian, management, facility, shares withdrawal and arrangement services are recognised during the year in which the services are rendered.

2.3 Group accounting

(a) *Subsidiaries*

Subsidiaries are entities over which the Group has power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

2. Significant accounting policies *(continued)*

2.3 Group accounting *(continued)*

(a) Subsidiaries (continued)

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values on the date of acquisition, irrespective of the extent of any minority interest. Please refer to the paragraph "Intangible assets-Goodwill" for the accounting policy on goodwill on acquisition of subsidiaries.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date on which control ceases.

In preparing the consolidated financial statements, transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Minority interests are that part of the net results of operations and of net assets of a subsidiary attributable to interests which are not owned directly or indirectly by the Group. It is measured at the minorities' share of the fair value of the subsidiaries' identifiable assets and liabilities at the date of acquisition by the Group and the minorities' share of changes in equity since the date of acquisition, except when the losses applicable to the minority interests in a subsidiary exceed the minority interest in the equity of that subsidiary. In such cases, the excess and further losses applicable to the minority interests are attributed to the equity holders of the Company, unless the minority interests have a binding obligation to, and are able to, make good the losses. When that subsidiary subsequently reports profits, the profits applicable to the minority interests are attributed to the equity holders of the Company until the minority interest's share of losses previously absorbed by the equity holders of the Company have been recovered.

Please refer to paragraph "Investments in subsidiaries and associated companies" for the accounting policy on investments in subsidiaries in the separate financial statements of the Company.

(b) Transactions with minority interests

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests, which result in gains and losses for the Group, are recorded in the income statement. The difference between any consolidation paid to minority interests for purchases of additional equity interest in a subsidiary and the incremental share of the carrying value of the net assets of the subsidiary is recognised as goodwill.

(c) Associated companies

Associated companies are entities over which the Group has significant influence, but not control, generally accompanying a shareholding of between and including 20% and 50% of the voting rights. Investments in associated companies are accounted for in the consolidated financial statements using the equity method of accounting.

Investments in associated companies are initially recognised at cost. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

In applying the equity method of accounting, the Group's share of its associated companies' post-acquisition profits or losses is recognised in the income statement and its share of post-acquisition movements in reserves is recognised in equity directly. These post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associated company equals or exceeds its interest in the associated company, including other unsecured receivables, the Group does not recognise further losses, unless it has obligations or has made payments on behalf of the associated company.

Please refer to the paragraph "Investment in subsidiaries and associated companies" for the accounting policy on investments in associated companies in the separate financial statements of the Company.

2.4 Property, plant and equipment

(a) Measurement

Property, plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

2. Significant accounting policies *(continued)*

2.4 Property, plant and equipment *(continued)*

(b) Depreciation

Depreciation is calculated using the straight line method to allocate their depreciable amounts over their estimated useful lives as follows:

	%
Buildings	5
Leasehold improvements	10 – 33 1/3
Furniture, fittings and office equipment	10 – 33 1/3
Computer equipment and software	20 – 33 1/3
Communication equipment	20 – 33 1/3
Motor vehicles	20 – 33 1/3

(c) Subsequent expenditure

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Other subsequent expenditure is recognised as repair and maintenance expense in the income statement during the financial year in which it is incurred.

(d) Disposal

On disposal of an item of property, plant and equipment, the difference between the net disposal proceeds and its carrying amount is taken to the income statement.

2.5 Intangible assets

Goodwill represents the excess of the cost of an acquisition of subsidiaries or associated companies over the fair value of the Group’s share of their identifiable net assets of the acquired subsidiaries or associated companies at the date of acquisition.

(a) Acquisitions pre 1 January 2001

Goodwill on acquisitions was adjusted against shareholders’ equity in the year of acquisition.

The Group also had acquisitions where the costs of acquisitions were less than fair value of the identifiable net assets acquired. Such differences (“negative goodwill”) were adjusted against shareholders’ equity in the year of acquisition.

On disposal of the subsidiaries and associated companies, such goodwill and negative goodwill previously adjusted against shareholders’ equity are not recognised in the income statement.

(b) Acquisitions post 1 January 2001

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisition of associated companies is included in carrying amount of investments in associated companies.

Goodwill for acquisitions post 1 January 2005 is determined after deducting the Group’s share of their identifiable net assets and contingent liabilities.

Goodwill recognised separately as intangible assets is tested at least annually for impairment and carried at cost less accumulated impairment losses.

Gains and losses on the disposal of the subsidiaries and associated companies include the carrying amount of goodwill relating to the entity sold.

2.6 Investments in subsidiaries and associated companies

Investments in subsidiaries and associated companies are stated at cost less accumulated impairment losses in the Company’s balance sheet. On disposal of investments in subsidiaries and associated companies, the difference between net disposal proceeds and the carrying amounts of the investment are taken to the income statement.

2.7 Impairment of non-financial assets

(a) Goodwill

Goodwill is tested annually for impairment, as well as when there is any indication that the goodwill may be impaired.

For the purpose of impairment testing of goodwill, goodwill is allocated to each of the Group’s cash-generating-units (CGU) expected to benefit from synergies of the business combination.

2. Significant accounting policies *(continued)*

2.7 Impairment of non-financial assets *(continued)*

(a) Goodwill (continued)

An impairment loss is recognised when the carrying amount of CGU, including the goodwill, exceeds the recoverable amount of the CGU. Recoverable amount of the CGU is the higher of the CGU's fair value less cost to sell and value in use.

The total impairment loss of a CGU is allocated first to reduce the carrying amount of goodwill allocated to the CGU and then to the other assets of the CGU pro-rata on the basis of the carrying amount of each asset in the CGU.

An impairment loss on goodwill is recognised in the income statement and is not reversed in the subsequent period.

(b) Trading rights in Exchanges
Property, plant and equipment
Investments in subsidiaries and associated companies

Trading rights in Exchanges, property, plant and equipment and investments in subsidiaries and associated companies are reviewed for impairment whenever there is any indication that these assets may be impaired. If any such indication exists, the recoverable amount (i.e. the higher of the fair value less cost to sell and value in use) of the asset is estimated to determine the amount of impairment loss.

For the purpose of impairment testing of these assets, recoverable amount is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the CGU to which the asset belongs.

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount.

The impairment loss is recognised in the income statement.

An impairment loss for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the assets' recoverable amount since the last impairment loss was recognised. The carrying amount of an asset other than goodwill is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset other than goodwill is recognised in the income statement.

2.8 Financial assets

(a) Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available-for-sale. The classification depends on the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date. The designation of financial assets at fair value through profit or loss is irrevocable.

(i) Financial assets at fair value through profit or loss

This category has two sub-categories: "financial assets held for trading", and those designated at fair value through profit or loss at inception. A financial asset is classified as held for trading if acquired principally for the purpose of selling in the short term. Financial assets designated as at fair value through profit or loss at inception are those that are managed, and their performance are evaluated on a fair value basis, in accordance with a documented Group's investment strategy. Assets in this category and classified as current assets if they are either held for trading or are expected to be realised within 12 months after the balance sheet date.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except those maturing later than 12 months after the balance sheet date which are classified as non-current assets. Loan and receivables are classified within "Trade receivables", "Outstanding contracts receivable", "Other current assets" and "Cash and cash equivalents" on the balance sheet.

(iii) Financial assets, available-for-sale

Financial assets, available-for-sale are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the assets within 12 months after the balance sheet date.

2. Significant accounting policies *(continued)*

2.8 Financial assets *(continued)*

(b) Recognition and derecognition

Regular purchases and sales of financial assets are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

On sale of a financial asset, the difference between the net sale proceeds and its carrying amount is taken to the income statement. Any amount in the fair value reserve relating to that asset is also taken to the income statement.

(c) Initial measurement

Financial assets are initially recognised at fair value plus transaction costs except for financial assets at fair value through profit or loss, which are recognised at fair value. Transaction costs for financial assets at fair value through profit and loss are recognised in the income statement.

(d) Subsequent measurement

Financial assets, available-for-sale and at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

Gains and losses arising from changes in the fair value of the “financial assets, at fair value through profit or loss”, including interest and dividend income, are presented in the income statement in the financial year in which the changes in fair values arise.

Changes in the fair value of monetary assets denominated in a foreign currency and classified as available-for-sale are analysed into translation differences resulting from changes in amortised cost of the asset and other changes. The translation differences are recognised in the income statement, and other changes are recognised in the fair value reserve within equity. Changes in fair values of other monetary and non-monetary assets that are classified as available-for-sale are recognised in the fair value reserve within equity.

Interest on financial assets, available-for-sale, calculated using the effective interest method, is recognised in the income statement. Dividends on available-for-sale equity securities are recognised in the income statement when the Group’s right to receive payment is established. When financial assets classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in the fair value reserve within equity are included in the income statement as “realised gain on financial assets, available-for-sale”.

(e) Impairment

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

(i) Loans and receivables

An allowance for impairment of loans and receivables, including trade and other receivables, is recognised when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the receivable is impaired. The amount of the allowance is the difference between the asset’s carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The amount of the allowance for impairment is recognised in the income statement.

(ii) Financial assets, available-for-sale

In the case of an equity security classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the security is impaired.

When there is objective evidence that a financial asset, available-for-sale is impaired, the cumulative loss that has been recognised directly in the fair value reserve is removed from the fair value reserve within equity and recognised in the income statement. The cumulative loss is measured as the difference between the acquisition cost (net of any principal repayments and amortisation) and the current fair value, less any impairment loss on the financial asset previously recognised in income statement.

Impairment losses on debt instruments classified as financial assets, available-for-sale are reversed through the income statement. However, impairment losses recognised in the income statement on equity instruments classified as financial assets, available-for-sale are not reversed through the income statement.

2. Significant accounting policies *(continued)*

2.9 Financial guarantees

The Company has issued corporate guarantees to banks for bank borrowings of its subsidiaries. These guarantees are financial guarantee contracts as they require the Company to reimburse the banks if the subsidiaries' fail to make principal or interest payments when due in accordance with the terms of their borrowings.

Financial guarantee contracts are initially recognised at their fair values plus transactions costs.

Financial guarantee contracts are subsequently amortised to the income statement over the period of the subsidiaries' borrowings, unless the Company has incurred an obligation to reimburse the bank for an amount higher than the unamortised amount.

In this case, the financial guarantee contracts shall be carried at the expected amount payable to the bank.

2.10 Securities borrowed and lent

Securities borrowed and lent are accounted for as collateralised borrowings. The amounts of cash collaterals advanced for securities borrowed and cash collaterals received for securities lent are recorded in the balance sheet under "Other Current Assets – Amounts deposited with lenders of securities" and "Trade and other payables – Cash collaterals held for securities lent to clients" respectively.

Market value of securities is determined by reference to the quoted prices of the respective Stock Exchanges at the close of business on the balance sheet date.

2.11 Trading rights in Exchanges

Trading rights in The Stock Exchange of Hong Kong Limited and Hong Kong Futures Exchange are stated at cost less accumulated amortisation. Amortisation is calculated on a straight-line basis to write off the cost of the trading rights over five years. Where an indication of impairment exists, the carrying amount of the trading rights is assessed and written down immediately to its recoverable amount.

Trading right in the Philippine Stock Exchange is stated at cost and is treated as an intangible asset with indefinite useful life, and is not amortised.

2.12 Membership in Exchanges

Membership in stock exchanges is stated at cost. Where an indication of impairment exists, the carrying amount is assessed and written down immediately to its recoverable amount.

2.13 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings which are due to be settled within 12 months after the balance sheet date are presented as current borrowings even though the original term was for a period longer than 12 months and an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the balance sheet date and before the financial statements are authorised for issue. Other borrowings due to be settled more than 12 months after the balance sheet date are presented as non-current borrowings in the balance sheet date.

2.14 Outstanding contracts payable, trade and other payables

Outstanding contracts payable, trade and other payables are initially recognised at fair value, and subsequently carried at amortised cost, using the effective interest method.

2.15 Fair value estimation

The carrying amounts of current financial assets and liabilities, carried at amortised cost, are assumed to approximate their fair values.

The fair values of financial instruments traded in active markets (such as exchange-traded and over-the-counter securities and derivatives) are based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

The fair value of the unquoted equity securities is estimated by reference to the net asset value of the company as at balance sheet date. The net asset value of the non-listed company approximates its fair value as it comprises mainly financial assets through profit or loss and monetary assets. The fair values of forward currency contracts are determined using forward exchange market rates at the balance sheet date.

2. Significant accounting policies *(continued)*

2.16 Leases

Operating leases

Leases of property, plant and equipment where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are taken to the income statement on a straight-line basis over the period of the lease.

Contingent rents are recognised as an expense in the income statement in the financial year in which they are incurred.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

2.17 Income taxes

Current income tax liabilities (and assets) for current and prior periods are recognised at the amounts expected to be paid to (or recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantially enacted by the balance sheet date.

Deferred income tax assets/liabilities are recognised for all deductible taxable temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax assets/liabilities arise from the initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction, affects neither accounting nor taxable profit and loss.

Deferred income tax liability is recognised on temporary differences arising on investments in subsidiaries and associated companies, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are measured at:

(i) the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates (and tax laws) that have been enacted or substantially enacted by the balance sheet date; and

(ii) the tax consequence that would follow from the manner in which the Group expects, at the balance sheet date, to recover or settle the carrying amounts of its assets and liabilities.

Current and deferred income tax are recognised as income or expenses in the income statement for the period, except to the extent that the tax arises from a business combination or a transaction which is recognised directly in equity. Deferred tax arising from a business combination is adjusted against goodwill on acquisition.

2.18 Employee compensation

(a) Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities such as Central Provident Fund on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The Group's contributions are recognised as employee compensation expense when they are due.

(b) Employee leave entitlement

Employee entitlements to annual leave and severance payments are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and severance payments as a result of services rendered by employees up to the balance sheet date.

2.19 Currency translation

(a) Functional and presentation currency

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Singapore Dollar, which is the Company's functional currency.

2. Significant accounting policies *(continued)*

2.19 Currency translation *(continued)*

(b) Transactions and balances

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Currency translation gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the balance sheet date are recognised in the income statement, except for currency translation differences on the net investment in foreign operations, which are included in the currency translation reserve within equity in the consolidated financial statements.

Changes in the fair value of monetary securities denominated in foreign currencies classified as available-for-sale are analysed into currency translation differences on the amortised cost of the securities, and other changes. Currency translation differences on the amortised cost are recognised in the income statement, and other changes are recognised in fair value reserve within equity.

Non-monetary items that are measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined. Currency translation differences on non-monetary items, whereby the gains or losses are recognised in the income statement, such as equity investments held at fair value through profit or loss, are reported as part of the fair value gains or losses in "other operating revenue". Currency translation differences on non-monetary items whereby the gains or losses are recognised directly in equity, such as equity investments classified as financial assets, available-for-sale, investment properties and property, plant and equipment are included in the fair value reserve and asset revaluation reserve respectively.

(c) Translation of Group entities' financial statements

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) Assets and liabilities are translated at the closing rates at the date of the balance sheet;

(ii) Income and expenses are translated at average exchange rate (unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated using the exchange rates at the dates of the transactions); and

(iii) All resulting exchange differences are taken to the foreign currency translation reserve within equity.

(d) Consolidated adjustments

On consolidation, currency translation differences arising from the net investment in foreign operations, borrowings in foreign currencies, and other currency instruments designated as hedges of such investments, are taken to the currency translation reserve. When a foreign operation is sold, such currency translation differences recorded in the currency translation reserve are recognised in the income statement as part of the gain or loss on sale.

2.20 Segment reporting

A business segment is a distinguishable component of the Group engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is a distinguishable component of the Group engaged in providing products or services within a particular economic environment that is subject to risks and returns that are different from those of segments operating in other economic environments.

2.21 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits with financial institutions and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

2.22 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issuance of new ordinary shares are deducted against the share capital account.

2.23 Dividend

Interim dividends are recorded in the financial year in which they are declared payable. Final dividends are recorded in the financial year in which the dividends are approved by the shareholders.

3. Effects on financial statements on adoption of new or revised FRS

Financial Guarantee Contracts

Previously, financial guarantees issued by the Company to banks in relation to borrowings by subsidiaries are accounted for as contingent liabilities of the Company and are not recognised in the financial statements until the Company has incurred an obligation to make payment under the guarantee.

FRS 39 (Amendment) Financial Guarantee Contracts, effective from 1 January 2006, requires financial guarantees to be accounted for in a manner as set out in Note 2.9.

The revised FRS 39 has been applied retrospectively and does not result in material adjustment to the balance sheet of the Company at 31 December 2005 and 1 January 2006. There is no material impact to the Company's profit and loss statement for the period ended 31 December 2006 and balance sheet as at 31 December 2006.

4. Critical accounting estimates, assumptions and judgements

Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the capital allowances and deductibility of certain expenses during the estimation of the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made.

5 Revenue

	The Group	
	2006	2005
	$	$
Commission income	**352,723,027**	254,674,353
Interest income		
– fixed deposits with affiliated corporations	**2,125,128**	1,816,101
– fixed deposits with non-related banks	**6,505,440**	3,951,406
– clients	**39,991,310**	22,008,552
– others	**1,737,006**	1,094,693
	50,358,884	28,870,752
Dividend from quoted securities	**1,080,960**	3,071,620
Facility, shares withdrawal and arrangement fees	**8,353,001**	5,917,115
Other operating revenue	**5,446,689**	4,356,993
	417,962,561	296,890,833

6. Personnel expenses

	The Group	
	2006	2005
	$	$
Wages, salaries and other staff costs	**121,208,023**	94,225,579
Contribution to defined contribution plans including Central Provident Fund	**3,454,918**	3,889,620
	124,662,941	98,115,199

7. Finance expense

	The Group 2006 $	The Group 2005 $
Interest expense:		
– bank borrowings from affiliated corporations	**3,078,727**	400,576
– borrowings from non-related banks	**10,187,152**	2,052,410
– others	**641,476**	1,514,324
	13,907,355	3,967,310

8. Other operating expenses

	The Group 2006 $	The Group 2005 $
Net fair value gains on financial assets at fair value through profit or loss	**(480,374)**	(42,119)
Rental on operating leases	**9,459,678**	9,515,040
Marketing and business promotions	**6,912,245**	5,257,394
Communication expenses	**10,612,522**	8,375,276
Contract processing charges	**3,738,655**	2,896,562
Information services	**6,522,793**	7,477,162
Depreciation and amortization expenses	**3,674,940**	7,794,575
(Gain)/Loss on disposal of fixed assets	**(25,111)**	18,639
General administrative expenses	**11,799,001**	10,444,003
	52,214,349	51,736,532

9. Tax

Income tax expense

	The Group 2006 $	The Group 2005 $
Tax expense attributable to profit is made up of:		
Current income tax		
– Singapore	**21,459,082**	11,731,929
– Foreign	**8,090,889**	5,260,519
	29,549,971	16,992,448
Deferred tax	**(66,022)**	(51,011)
	29,483,949	16,941,437
Over provision in prior years		
– current income tax	**(614,737)**	(61,725)
	28,869,212	16,879,712

9. Tax *(continued)*

Income tax expense *(continued)*

The tax expense on profit differs from the amount that would arise using the Singapore standard rate of income tax due to the following:

	The Group	
	2006	2005
	$	$
Profit before tax	**167,921,419**	92,615,991
Tax expense at statutory rate of 20% (2005: 20%)	**33,584,284**	18,523,198
Effects of:		
– Singapore statutory stepped income exemption and tax rebate	**(55,749)**	(77,738)
– Concessionary tax	**(2,123,517)**	(1,215,478)
– Tax calculated on share of results of associated companies	**(196,821)**	(562,379)
– Income not subject to tax	**(6,184,190)**	(4,656,709)
– Expenses not deductible for tax purposes	**4,614,852**	2,980,909
– Utilisation of previously unrecognised tax losses	**(115,140)**	–
– Tax benefit on tax losses and other temporary differences not recognised	**(84,158)**	136,427
– Different tax rates in other countries	**44,388**	1,813,207
	29,483,949	16,941,437

10. Earnings per share

Basic earnings per share is calculated by dividing the net profit attributable to equity holders of the Company by the number of ordinary shares in issue during the financial year.

	The Group	
	2006	2005
Net profit attributable to equity holders of the Company ($)	**137,161,131**	75,448,053
Number of ordinary shares in issue for basic earnings per share	**724,709,009**	724,709,009
Basic earnings per share	**18.93 cents**	10.41 cents

Diluted earnings per share is equal to basic earnings per share as there are no dilutive potential ordinary shares.

11. Cash and cash equivalents

	The Group		The Company	
	2006	2005	2006	2005
	$	$	$	$
Bank balances with:				
– affiliated corporations	**23,563,120**	8,115,244	**352,383**	127,453
– non-related banks	**49,097,688**	58,591,347	**–**	–
Cash on hand	**13,292**	13,528	**–**	–
	72,674,100	66,720,119	**352,383**	127,453
Fixed deposits with:				
– affiliated corporations	**25,103,076**	107,649,353	**16,907,616**	51,593,141
– non-related banks	**35,314,404**	49,772,729	**–**	–
	60,417,480	157,422,082	**16,907,616**	51,593,141
	133,091,580	224,142,201	**17,259,999**	51,720,594

11. Cash and cash equivalents *(continued)*

At the balance sheet date, the carrying amounts of cash and cash equivalents approximate their fair values.

Cash and cash equivalents are denominated in the following currencies:

	The Group		The Company	
	2006	2005	2006	2005
	$	$	$	$
Singapore dollar	**19,909,634**	112,072,795	**16,352,335**	50,778,393
United States dollar	**12,754,422**	41,937,781	**907,664**	942,201
Malaysian ringgit	**13,057,970**	15,214,434	**–**	–
Hong Kong dollar	**26,283,746**	15,129,586	**–**	–
Thai baht	**44,853,279**	26,417,555	**–**	–
Indonesian rupiah	**2,982,974**	5,005,033	**–**	–
Euro	**3,411,982**	430,599	**–**	–
Others	**9,837,573**	7,934,418	**–**	–
	133,091,580	224,142,201	**17,259,999**	51,720,594

The fixed deposits at the balance sheet date have the following maturity and weighted average effective interest rates:

	The Group		The Company	
	2006	2005	2006	2005
Maturity (number of months from financial year end)	Within six months	Within six months	Within six months	Within six months
Weighted average effective interest rate (% per annum)				
Singapore dollar	**3.2954%**	3.0586%	**3.2925 %**	1.6891%
United States dollar	**5.0702 %**	4.0025%	**4.9750 %**	0.1382%
Malaysian ringgit	**2.9323 %**	2.5017%	**–**	–
Hong Kong dollar	**3.4750 %**	2.6500%	**–**	–
Thai baht	**5.2611%**	3.2388%	**–**	–
Others	**5.5252%**	5.9783%	**–**	–

The exposure of cash and cash equivalents to interest rate risks is disclosed in Note 30(c).

For the purposes of the consolidated cash flow statement, the consolidated cash and cash equivalents comprise the following:

	The Group	
	2006	2005
	$	$
Cash and bank balances (as above)	**133,091,580**	224,142,201
Less: Bank overdrafts (Note 23)	**(13,159,765)**	(3,977,906)
Cash and cash equivalents per consolidated cash flow statement	**119,931,815**	220,164,295

12. Outstanding contracts

(a) Outstanding contracts receivable comprise the following:

	The Group	
	2006	2005
	$	$
Due from third parties	**1,447,526,901**	647,330,871

12. Outstanding contracts *(continued)*

(b) Outstanding contracts payable comprise the following:

	The Group	
	2006	2005
	$	$
Due to third parties	**1,426,208,532**	629,808,507

Outstanding contracts receivable and payable are denominated in the following currencies:

	The Group Receivable		The Group Payable	
	2006	2005	2006	2005
	$	$	$	$
Singapore dollar	**812,143,925**	320,057,462	**749,482,520**	288,542,800
United States dollar	**48,471,186**	13,498,624	**40,941,243**	10,275,568
Malaysian ringgit	**25,108,941**	7,971,466	**50,576,927**	9,996,012
Hong Kong dollar	**479,596,376**	255,795,861	**515,401,781**	260,376,146
Thai baht	**67,318,492**	38,529,233	**58,127,462**	45,095,928
Others	**14,887,981**	11,478,225	**11,678,599**	15,522,053
	1,447,526,901	647,330,871	**1,426,208,532**	629,808,507

The carrying amounts of outstanding contracts receivable and payable approximate their fair values.

13. Trade receivables

	The Group	
	2006	2005
	$	$
Trade receivables to:		
– Third parties	**1,041,784,180**	565,806,721
	1,041,784,180	565,806,721
Less: Allowance for impairment of trade receivables	**(2,877,849)**	(4,527,184)
	1,038,906,331	561,279,537

Trade receivables are denominated in the following currencies:

	The Group	
	2006	2005
	$	$
Singapore dollar	**531,792,199**	375,391,383
United States dollar	**66,890,760**	23,140,155
Malaysian ringgit	**11,785,486**	17,375,462
Hong Kong dollar	**374,407,750**	94,773,475
Thai baht	**48,412,460**	48,605,517
Indonesian rupiah	**7,463,182**	537,405
Others	**1,032,343**	5,983,324
	1,041,784,180	565,806,721

Concentrations of credit risk with respect to trade receivables are limited due to the Group's diversified customer base. Management believes that no anticipated additional credit risk beyond amount of allowance for impairment made in the Group's trade receivables.

At the balance sheet date, the carrying amounts of trade receivables approximate their fair value. The exposure to interest rate risks of trade receivables are disclosed in Note 30(c).

14. Financial assets/liabilities at fair value through profit or loss

(a) Current assets

Financial assets at fair value through profit or loss

	The Group	
	2006	2005
	$	$
Trading securities		
Listed securities:		
– Equity securities – Malaysia	**4,739,736**	2,144,589
– Equity securities – Singapore	**4,076,534**	176,062
– Equity securities – Others	**184,904**	592
	9,001,174	2,321,243

(b) Current liabilities

Financial liabilities at fair value through profit or loss

	The Group	
	2006	2005
	$	$
Trading securities		
Listed securities		
– Equity securities – Singapore	**71,464**	27,830
– Equity securities – Others	**–**	28
	71,464	27,858

Financial assets/liabilities at fair value through profit or loss are denominated in the following currencies:

	The Group Financial assets	
	2006	2005
	$	$
Singapore dollar	**4,076,534**	176,062
Malaysian ringgit	**4,739,736**	2,144,589
Others	**184,904**	592
	9,001,174	2,321,243

	The Group Financial liabilities	
	2006	2005
	$	$
Singapore dollar	**71,464**	27,830
Others	**–**	28
	71,464	27,858

15. Other current assets

	The Group		The Company	
	2006	2005	2006	2005
	$	$	$	$
Amounts due from subsidiaries [Note 15(a)]	**–**	–	**168,464,854**	63,988,446
Deposits [Note 15(b)]	**7,903,524**	8,230,336	**–**	–
Prepayments	**1,149,202**	1,188,719	**3,000**	3,000
Amount deposited with lenders of securities [Note 15(c)]	**20,783,860**	1,423,199	**–**	–
Other receivables	**4,762,666**	2,829,019	**890,519**	34,726
	34,599,252	13,671,273	**169,358,373**	64,026,172

15. Other current assets *(continued)*

(a) Included in the Company's amounts due from subsidiaries is a loan of $15,000,000 (2005: $10,200,000) to a subsidiary bearing interest at 3.1375% (2005: 2.595%) per annum. This loan is unsecured and repayable on demand.

Except for the above, the other non-trade amounts due from subsidiaries are unsecured, interest free and repayable on demand.

(b) Included in deposits is an amount of $1,870,939 (2005: $2,464,280) placed by a subsidiary as collateral with the Central Depository (Pte) Limited by virtue of the subsidiary being a clearing member of the Singapore Exchange Securities Trading Limited (Note 28).

(c) Securities borrowing and lending contracts

	The Group	
	2006	2005
	$	$
Securities borrowed		
Securities borrowed from lenders, at fair value:		
– lent to clients	**19,054,050**	1,304,500
Cash collaterals placed with lenders	**20,783,860**	1,423,199
Securities lent		
Securities lent to clients, at fair value:		
– borrowed from lenders	**19,054,050**	1,304,500
Cash collaterals received from clients		
– in trade and other payables (Note 22)	**288,999**	337,633
– in trust	**18,576,974**	1,092,361
	18,865,973	1,429,994
Fair value of share collaterals received from clients	**–**	43,800
	18,865,973	1,473,794

The carrying amount of other current assets approximate their fair values.

Other current assets are denominated in the following currencies:

	The Group		The Company	
	2006	2005	2006	2005
	$	$	$	$
Singapore dollar	**27,740,937**	8,112,360	**16,153,385**	64,026,172
Hong Kong dollar	**4,322,929**	3,609,197	**153,204,305**	–
Others	**2,535,386**	1,949,716	**683**	-
	34,599,252	13,671,273	**169,358,373**	64,026,172

16. Loans to subsidiaries

	The Company	
	2006	2005
	$	$
Loan to a subsidiary	**31,712,474**	31,712,474
Subordinated loan to a subsidiary	**689,760**	748,350
	32,402,234	32,460,824

The loans to subsidiaries are due later than one year but not later than five years from the balance sheet date. The loan to a subsidiary is denominated in Singapore dollar and the subordinated loan to a subsidiary is denominated in United States dollar. The effective interest rates for the loan to a subsidiary and the subordinated loan to a subsidiary is 3.1375% (2005: 2.595%) and 2.25% (2005: 2.25%) per annum respectively.

16. Loans to subsidiaries *(continued)*

The fair values for loans to subsidiaries are as follows:

	The Company	
	2006	2005
	$	$
Loan to a subsidiary	**31,712,474**	31,897,598
Subordinated loan to a subsidiary	**660,621**	688,627

The fair values are based on discounted cash flows using a discount rate determined based on the fixed deposit rate quoted by the Company's banker at the balance sheet date.

17. Investments in subsidiaries

	The Company	
	2006	2005
	$	$
Equity investments at cost		
Beginning of the financial year	**266,997,855**	315,124,224
Less: Dividend received from a subsidiary distributed out of its pre-acquisition profits	**–**	(48,126,369)
Less: Liquidation of subsidiaries	**(88,420,551)**	–
At end of the financial year	**178,577,304**	266,997,855

Details of subsidiaries are included in Note 37.

18. Investments in associated companies

Investments in associated companies, which are held by subsidiaries, comprise:

	The Group		The Company	
	2006	2005	2006	2005
	$	$	$	$
Equity investment at cost			**2,648,128**	–
Beginning of financial year	**37,916,698**	39,252,013		
Currency translation differences	**(52,684)**	192,454		
Share of associated companies fair value reserve	**–**	1,500,000		
Share of profits	**984,104**	2,811,897		
Dividends received from an associated company out of its pre-acquisition profits	**(13,577,186)**	(5,839,666)		
Redemption of preference shares	**(10,000,000)**	–		
Allowance for impairment of investment	**(1,000,000)**	–		
	14,270,932	37,916,698		

The summarised financial information of associated companies are as follows:

	The Group	
	2006	2005
	$	$
– Assets	**37,731,932**	84,182,292
– Liabilities	**1,850,039**	3,315,617
– Revenues	**3,159,459**	11,141,617
– Net profit	**2,404,164**	6,133,762

Details of associated companies are included in Note 37.

19. Financial assets, available-for-sale

	The Group 2006 $	The Group 2005 $
Balance at beginning of financial year	**29,661,819**	18,418,757
Currency translation differences	**8,271**	(11,730)
Additions	–	56,179
Disposals	**(22,983,652)**	–
Fair value gains transferred to equity (Note 26(c))	**21,657,392**	11,198,613
Balance at end of financial year	**28,343,830**	29,661,819

Financial assets, available-for-sale include the following:

	The Group 2006 $	The Group 2005 $
Listed securities		
– Equity securities – Singapore	**27,391,076**	28,930,901
– Equity securities – Philippines	**436,800**	235,125
Unlisted securities		
– Equity securities – Thailand	**515,954**	495,793
	28,343,830	29,661,819

The unquoted equity securities represent an overseas subsidiary's subscription to shares in a non-listed company set up by an overseas exchange in 1996. The fair value of the unquoted equity securities is estimated by reference to the net asset value of this company as at the balance sheet date. The net asset value of the non-listed company approximates its fair value as it comprises mainly financial assets at fair value through profit or loss and monetary assets.

20. Trading rights in Exchanges

	The Group 2006 $	The Group 2005 $
Trading rights in Stock Exchange of Hong Kong Limited, Hong Kong Futures Exchange Limited and Philippine Stock Exchange, Inc, at cost:		
Cost:		
At beginning of the financial year	**1,116,891**	1,051,250
Acquisition	**–**	44,141
Currency translation differences	**(88,211)**	21,500
At end of the financial year	**1,028,680**	1,116,891
Accumulated amortisation:		
At beginning of the financial year	**(1,001,519)**	(939,312)
Amortisation during the financial year	**–**	(42,921)
Currency translation differences	**82,157**	(19,286)
At end of the financial year	**(919,362)**	(1,001,519)
	109,318	115,372

21. Property, plant and equipment

	Buildings $	Leasehold improvements $	Furniture, fittings and office equipment $	Computer equipment and software $	Communication equipment $	Motor vehicles $	Total $
The Group							
Cost							
At 1 January 2006	217,463	7,474,135	7,059,238	14,515,529	1,895,308	533,905	31,695,578
Additions	–	214,382	150,862	1,015,971	105,158	56,695	1,543,068
Disposals	–	–	(1,275,961)	(54,064)	(6,055)	(85,012)	(1,421,092)
Currency translation differences	11,035	(30,373)	28,134	(116,443)	(65,623)	21,372	(151,898)
At 31 December 2006	228,498	7,658,144	5,962,273	15,360,993	1,928,788	526,960	31,665,656
Accumulated depreciation							
At 1 January 2006	100,852	6,357,240	6,226,318	10,677,442	1,614,482	404,244	25,380,578
Depreciation charge	14,105	627,350	514,890	2,267,728	162,908	87,959	3,674,940
Disposals	–	–	(1,268,247)	(53,071)	(6,055)	(84,318)	(1,411,691)
Currency translation differences	5,301	(22,533)	21,847	(96,951)	(52,000)	20,085	(124,251)
At 31 December 2006	120,258	6,962,057	5,494,808	12,795,148	1,719,335	427,970	27,519,576
Net book value at 31 December 2006	**108,240**	**696,087**	**467,465**	**2,565,845**	**209,453**	**98,990**	**4,146,080**
The Group							
Cost							
At 1 January 2005	225,537	7,277,823	7,679,233	13,660,560	1,706,350	566,713	31,116,216
Additions	–	505,030	308,526	914,746	177,420	58,489	1,964,211
Disposals	–	(268,274)	(870,252)	(20,504)	(827)	(75,021)	(1,234,878)
Currency translation differences	(8,074)	(40,444)	(58,269)	(39,273)	12,365	(16,276)	(149,971)
At 31 December 2005	217,463	7,474,135	7,059,238	14,515,529	1,895,308	533,905	31,695,578
Accumulated depreciation							
At 1 January 2005	90,493	5,459,267	6,250,108	8,253,442	1,359,830	370,578	21,783,718
Depreciation charge	13,873	1,210,161	861,115	2,473,846	246,567	108,743	4,914,305
Disposals	–	(265,640)	(840,309)	(20,045)	–	(63,017)	(1,189,011)
Currency translation differences	(3,514)	(46,548)	(44,596)	(29,801)	8,085	(12,060)	(128,434)
At 31 December 2005	100,852	6,357,240	6,226,318	10,677,442	1,614,482	404,244	25,380,578
Net book value at 31 December 2005	**116,611**	**1,116,895**	**832,920**	**3,838,087**	**280,826**	**129,661**	**6,315,000**

22. Trade and other payables

	The Group		The Company	
	2006	2005	2006	2005
	$	$	$	$
Trade payables to:				
– third parties	**18,662,900**	6,589,614	**–**	–
Accrued operating expenses	**60,990,617**	40,745,664	**6,217,958**	3,987,901
Cash collaterals held for securities lent to clients [Note 15(c)]	**288,999**	337,633	**–**	–
Amount due to subsidiaries	**–**	–	**10,927,370**	17,624,898
Other payables	**8,457,039**	695,478	**1,216**	–
	88,399,555	48,368,389	**17,146,544**	21,612,799

The amounts due to subsidiaries are unsecured, interest free and repayable on demand.

The carrying amounts of trade and other payables approximate their fair values at the balance sheet date.

Trade and other payables are denominated in the following currencies:

	The Group		The Company	
	2006	2005	2006	2005
	$	$	$	$
Singapore dollar	**60,444,762**	33,359,468	**17,146,237**	21,612,799
United States dollar	**831,737**	1,039,028	**307**	–
Hong Kong dollar	**18,752,322**	10,549,621	**–**	–
Indonesian rupiah	**5,392,796**	382,373	–	–
Thai baht	**1,944,058**	2,280,927	**–**	–
Others	**1,033,880**	756,972	**–**	–
	88,399,555	48,368,389	**17,146,544**	21,612,799

23. Borrowings

	The Group		The Company	
	2006	2005	2006	2005
	$	$	$	$
Current				
Bank overdrafts:				
– with affiliated corporations	**8,559,611**	1,462,211	**–**	–
– with non-related banks	**4,600,154**	2,515,695	**–**	–
	13,159,765	3,977,906	**–**	–
Short-term bank loans:				
– with affiliated corporations	**164,401,535**	26,818,750	**98,811,364**	–
– with non-related banks	**160,956,973**	40,979,050	**–**	–
	325,358,508	67,797,800	**98,811,364**	–
Total borrowings	**338,518,273**	71,775,706	**98,811,364**	–

23. Borrowings *(continued)*

The carrying amounts of borrowings approximate their fair values. Borrowings are denominated in the following currencies:

	The Group		The Company	
	2006	2005	2006	2005
	$	$	$	$
Singapore dollar	**8,643,983**	–	**–**	–
United States dollar	**45,027,067**	1,462,211	**–**	–
Hong Kong dollar	**284,761,216**	70,313,495	**98,811,364**	–
Thai baht	**86,007**	–	**–**	–
	338,518,273	71,775,706	**98,811,364**	–

The short-term bank loan of the Company matures within 6 months from the end of the financial year. It is unsecured. The average effective interest rate of the short-term loan is 4.68% (2005: nil%) per annum.

The terms of bank overdrafts and short-term bank loans of the Group at balance sheet date are as follows:

Year ended 31 December 2006

Bank overdrafts

$	Weighted average effective interest rates	Security, if any
Balances with affiliated corporations		
8,473,604	5.00% per annum	A fixed charge over immovable fixed assets and a floating charge over all assets of a subsidiary
86,007	8.75% per annum	Unsecured
8,559,611		
Balances with non-related banks		
143,015	6.00% per annum	A fixed charge over immovable fixed assets and a floating charge over all assets of a subsidiary
4,457,139	7.73% per annum	Unsecured
4,600,154		

Short-term bank loans

$	Weighted average effective interest rates	Security, if any	Maturity
Balances with affiliated corporations			
40,380,571	5.84% per annum	A fixed charge over immovable fixed assets and a floating charge over all assets of a subsidiary	Due within 6 months from balance sheet date
124,020,964	4.73% per annum	Unsecured	Due within 6 months from balance sheet date
164,401,535			

23. Borrowings *(continued)*

Short-term bank loans *(continued)*

$	Weighted average effective interest rates	Security, if any	Maturity
Balances with non-related banks			
108,371,323	4.70% per annum	A fixed charge over immovable fixed assets and a floating charge over all assets of a subsidiary	Due within 6 months from balance sheet date
52,585,650	4.68% per annum	Unsecured	Due within 6 months from balance sheet date
160,956,973			

Year ended 31 December 2005

Bank overdrafts

$	Weighted average effective interest rates	Security, if any
Balances with affiliated corporations		
1,462,211	5.00% per annum	A fixed charge over immovable fixed assets and a floating charge over all assets of a subsidiary
Balances with non-related banks		
5,505	5.00% per annum	A fixed charge over immovable fixed assets and a floating charge over all assets of a subsidiary
2,510,190	5.00% per annum	Unsecured
2,515,695		

Short-term bank loans

$	Weighted average effective interest rates	Security, if any	Maturity
Balances with affiliated corporations			
26,818,750	4.79% per annum	Unsecured	Due within 6 months from balance sheet date
Balances with non-related banks			
40,979,050	4.74% per annum	Unsecured	Due within 6 months from balance sheet date

24. Deferred income taxes

The movement in the Group's deferred tax assets and liabilities (prior to offsetting of balances within the same tax jurisdiction) during the financial year are as follows:

The Group

Deferred income tax assets

	Allowances	
	2006	2005
	$	$
At beginning of the financial year	**35,029**	26,638
Credited to income statement	**263**	9,761
Currency translation differences	**562**	(1,370)
At end of the financial year	**35,854**	35,029

The Group

Deferred income tax liabilities

	Accelerated tax depreciation	
	2006	2005
	$	$
At beginning of the financial year	**(798,717)**	(836,610)
Charged to income statement	**65,301**	41,250
Currency translation differences	**9,608**	(3,357)
At end of the financial year	**(723,808)**	(798,717)

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The amount, determined after appropriate offsetting, are shown on the balance sheet as follows:

	The Group	
	2005	2004
	$	$
Deferred income tax assets	**35,854**	35,029
Deferred income tax liabilities	**(723,808)**	(798,717)
	(687,954)	(763,688)

Deferred income tax assets are recognised for tax loss carried forward to the extent that realisation of the related tax benefits through future taxable profits is probable. The Group has unrecognised tax losses of approximately $3,672,718 (2005: $3,590,000) at the balance sheet date which can be carried forward and used to offset against future taxable income subject to meeting certain statutory requirements by those companies with unrecognised tax losses and capital allowances in their respective countries of incorporation. These tax losses have no expiry date.

The deferred tax asset and liabilities shown on the balance sheet may be recovered within 12 months.

25. Share capital

	2006 Number of shares	2005 Number of shares	2006 $	2005 $
At beginning and at end of the financial year	**724,709,009**	724,709,009	**72,470,901**	72,470,901

Under the Companies (Amendment) Act 2005 that came into effect on 30 January 2006, the concepts of par value and authorised share capital were abolished.

All issued shares are fully paid.

26. Reserves

(a) *Composition*

	The Group		The Company	
	2006	2005	2006	2005
	$	$	$	$
Capital reserve	**–**	154,205,891	**–**	154,205,891
Capital reserve on consolidation	**–**	71,270,568	**–**	–
Fair value reserve	**26,596,575**	25,227,753	**–**	–
Foreign currency translation reserve	**(6,462,979)**	(4,099,347)	**–**	–
Statutory reserve	**1,036,383**	639,764	**–**	–
	21,169,979	247,244,629	**–**	154,205,891

(b) *Capital reserve and Capital reserve on consolidation*

The capital reserve of the Company arose from the excess of fair values of subsidiaries acquired over the aggregate par value of the Company's ordinary shares issued as consideration to acquire the subsidiaries at the date of acquisition.

The Group's capital reserve on consolidation arose from the excess of the net tangible assets of subsidiaries acquired over their fair values as determined by the directors at the date of their acquisitions.

During the financial year, the Group was restructured whereby the subsidiaries of Kay Hian Holdings Limited ("KHH") were transferred to UOB-Kay Hian Holdings Limited and KHH was liquidated. The capital reserve and capital reserve on consolidation arose from the acquisition of KHH. These reserves were regarded as realised and transferred to the retained earnings upon the liquidation of KHH.

(c) *Fair value reserve*

	The Group	
	2006	2005
	$	$
Balance at beginning of financial year	**25,227,753**	14,070,473
Fair value gains on financial assets, available-for-sale (Note 19)	**21,657,392**	11,198,613
Minority interest	**–**	(41,333)
Currency translation differences	**8,271**	–
Fair value gains transferred to income statement on realisation	**(20,296,841)**	–
Balance at end of financial year	**26,596,575**	25,227,753

(d) *Statutory reserve*

Under the Public Limited Company Act B.E. 2535 of Thailand, UOB Kay Hian Securities (Thailand) Public Company Limited is required to set aside a statutory reserve of at least 5 percent of its net profit after accumulated deficit brought forward (if any) until the reserve is not less than 10 per cent of the registered capital. The reserve is non-distributable.

27. Dividends

Ordinary dividends paid

	The Group and The Company	
	2006	2005
	$	$
Interim dividend in respect of the financial year ended 31 December 2006 of 2.0 cents (31 December 2005: 0.5 cents) per ordinary share less tax at 20% (2005: 20%) paid	**11,595,344**	2,898,836
Final dividend in respect of the financial year ended 31 December 2005 of 8.0 cents (31 December 2004: 7.0 cents) per ordinary share less tax at 20% (2004: 20%) paid	**46,381,377**	40,583,705
	57,976,721	43,482,541

Ordinary dividends proposed

The directors have proposed a final dividend of 10.5 cents per ordinary share less tax at 18% amounting to a total of $62,397,446. These financial statements do not reflect this proposed final dividend, which if declared payable, will be accounted for in the shareholders' equity as an appropriation of retained profits in the financial year ending 31 December 2007.

28. Contingent liabilities

Obligations by virtue of a subsidiary being a clearing member of Singapore Exchange Securities Trading Limited ("SGX-ST") – secured

At the balance sheet date, there were contingent liabilities of $1,870,939 (2005: $1,812,099) in respect of the obligations of a subsidiary to The Central Depository (Pte) Limited ("CDP") by virtue of the subsidiary being a clearing member of the SGX-ST. The contingent liabilities are secured against deposits amounting to $1,870,939 (2005: $2,464,280) placed by the subsidiary with CDP.

29. Commitments

Operating lease commitments

The future aggregate minimum lease payments under non-cancellable operating leases contracted for at the reporting date but not recognised as liabilities, are as follows:

	The Group	
	2006	2005
	$	$
Not later than one year	**8,166,876**	8,777,357
Between two and five years	**5,880,210**	13,480,251
	14,047,086	22,257,608

30. Financial risk management

The Group's activities undertaken by its subsidiaries in each country of operations expose it to a variety of financial risks: price risk (including currency risk, fair value, interest rate risk and market risk), credit risk, liquidity risk and cash flow interest rate risk. The Group's overall financial risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments such as foreign exchange contracts to manage certain risk exposures.

Financial risk management of the Group is carried out by the credit committee and finance department of the Company and its respective subsidiaries. The credit committee approves the Company and its respective subsidiaries' financial risk management policies.

(a) Currency risk

The Company has investments in foreign subsidiaries, whose net assets are exposed to currency translation risk, primarily in Hong Kong dollars and Thai Baht. The Group is also exposed to foreign exchange risk arising from the Company's and its subsidiaries' dealing in securities and holding net long positions in assets and liabilities in foreign currencies. In addition, the Group holds net long positions in non-local currency for working capital purposes primarily in United States dollars and Malaysian ringgit. Exposures to foreign currencies are monitored closely to ensure that there are no significant adverse financial effects to the Group from changes in the exchange rates. The finance departments of the Group manages significant net exposures in each of the foreign currencies through foreign currency borrowings and foreign exchange contracts.

(b) Market risk

The Group is exposed to equity securities market risk because of the dealing in securities. The Group maintains adequate policies to ensure that it is not exposed to excessive positions which will subject the Group to excessive loss due to market fluctuations.

(c) Cash flow and fair value interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

The Group's interest income and interest expense are exposed to changes in market interest rates. Interest rate risk relates to interest from share financing, interest charged on overdue trade debts, interest on short-term deposits with banks and interest on borrowings from banks. The Group's bank deposits and borrowings are generally short term. The interest expenses for short-term borrowings are at market rates which are generally fixed at the inception of the borrowings. Interest income from share financing and on overdue trade debts are generally pegged to the respective currencies' prime rates.

The tables below set out the Group and the Company's exposure to interest rate risks. Included in the tables are assets and liabilities at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

30. Financial risk management *(continued)*

(c) Cash flow and fair value interest rate risk (continued)

The Group

	Variable rates Less than 6 months $'000	Less than 6 months $'000	Non-interest bearing $'000	Total $'000
At 31 December 2006				
Assets				
Cash and cash equivalents	31,801	60,418	40,873	133,092
Trade receivables	1,038,906	–	–	1,038,906
Financial assets	–	–	1,484,872	1,484,872
Investments in associated companies	–	–	14,271	14,271
Other assets	–	–	38,928	38,928
Total assets	**1,070,707**	**60,418**	**1,578,944**	**2,710,069**
Liabilities				
Borrowings	13,160	325,358	–	338,518
Other financial liabilities	–	–	1,514,695	1,514,695
Non-financial liabilities	–	–	32,071	32,071
Total liabilities	**13,160**	**325,358**	**1,546,766**	**1,885,284**

	Variable rates Less than 6 months $'000	Less than 6 months $'000	Non-interest bearing $'000	Total $'000
At 31 December 2005				
Assets				
Cash and cash equivalents	42,195	157,422	24,525	224,142
Trade receivables	561,280	–	–	561,280
Financial assets	–	–	679,314	679,314
Investments in associated companies	–	–	37,917	37,917
Other assets	–	–	20,163	20,163
Total assets	603,475	157,422	761,919	1,522,816
Liabilities				
Borrowings	3,978	67,798	–	71,776
Other financial liabilities	–	–	678,419	678,419
Non-financial liabilities	–	–	26,458	26,458
Total liabilities	3,978	67,798	704,877	776,653

30. Financial risk management *(continued)*

(c) Cash flow and fair value interest rate risk (continued)

The Company

	Fixed rates Less than 6 months $'000	Non-interest bearing $'000	Total $'000
At 31 December 2006			
Assets			
Cash and cash equivalents	16,908	352	17,260
Investments in subsidiaries	–	178,577	178,577
Investments in associated companies	–	2,648	2,648
Other assets	–	201,761	201,761
Total assets	**16,908**	**383,338**	**400,246**
Liabilities			
Total liabilities	**98,812**	**17,444**	**116,256**

	Fixed rates Less than 6 months $'000	Non-interest bearing $'000	Total $'000
At 31 December 2005			
Assets			
Cash and cash equivalents	51,593	127	51,720
Investments in subsidiaries	–	266,998	266,998
Other assets	–	96,487	96,487
Total assets	51,593	363,612	415,205
Liabilities			
Total liabilities	–	21,894	21,894

(d) Credit risk

The Group has no significant concentrations of credit risk. The Group has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history. Derivative counterparties and cash transactions are limited to high credit quality financial institutions. The Group has policies that limit the amount of credit exposure to any financial institution.

(e) Liquidity risk

The Group adopts prudent liquidity risk management by maintaining sufficient cash and marketable securities, having an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the Group aims at maintaining flexibility in funding by keeping committed credit facilities available.

31. Derivative financial instruments

In order to manage the risks arising from fluctuations in currency exchange rates, the Company and the Group make use of the following derivative financial instruments:

Forward foreign exchange contracts

Forward foreign exchange contracts are entered into from time to time to manage exposure to fluctuations in foreign currency exchange rates on trade receivables and payables.

At 31 December 2006 and 2005, the Group has the following outstanding commitments for forward foreign exchange contracts.

31. Derivative financial instruments *(continued)*

Forward foreign exchange contracts *(continued)*

The underlying principal amount, fair values and settlement dates of the Group's forward foreign exchange contracts at the balance sheet date was:

The Group

	Contract or underlying principal amount		Year–end positive fair value		Year-end negative fair value		Settlement dates of open contracts	
	2006	2005	2006	2005	2006	2005	2006	2005
	$	$	$	$	$	$	$	$
Forward foreign exchange contracts								
– Positive fair value	**11,901,113**	716,238	**11,117**	477	**–**	–	**Within six months after balance sheet date**	Within six months after balance sheet date
– Negative fair value	**3,059,938**	42,862,385	**–**	–	**(14,964)**	(214,420)		

32. Significant related party transactions

(a) The Group in the normal course of business:

(1) acts as brokers in securities for associated companies, certain affiliated companies, directors of the Company and its subsidiaries and their connected persons; and

(2) refers clients who require margin financing to an associated company, in which a director of the Company has a substantial interest.

In addition to the above and the related party transactions disclosed elsewhere in the financial statements, significant related party transactions during the financial year were as follows:

	The Group	
	2006	2005
	$	$
Rental of premises paid / payable to affiliated companies	**6,224,506**	6,293,428
Management and other fees earned from an associated company	**332,805**	2,537,152

Related party transactions were made on terms agreed between the parties concerned.

(b) Key management personnel compensation is analysed as follows:

	The Group	
	2006	2005
	$	$
Salaries and other short-term employee benefits	**22,424,079**	14,847,497
Contribution to defined contribution plans including Central Provident Fund	**34,056**	39,950
	22,458,135	14,887,447

(c) The Group has banking facilities from United Overseas Bank Limited Group (which is defined in the SGX-ST listing manual as a person who holds directly or indirectly 15% or more of the nominal amount of all voting shares in the Company) in the normal course of business. The outstanding borrowings as at 31 December 2006 are disclosed in Note 23 as borrowings from affiliated corporations.

33. Segment information

The Group is organised on a geographical basis, namely Singapore, Hong Kong and other countries. The Group provides securities and futures broking and other related services.

Primary reporting format – geographical segments

The Group

2006

	Singapore $	Hong Kong $	Others $	Elimination $	Total $
Revenue					
– External sales	**284,612,378**	**108,117,456**	**25,232,727**	**–**	**417,962,561**
– Inter-segment sales	**6,759,008**	**623,503**	**14,140,261**	**(21,522,772)**	**–**
	291,371,386	**108,740,959**	**39,372,988**	**(21,522,772)**	**417,962,561**
Segment results	**126,639,617**	**28,304,559**	**11,676,486**	**316,653**	**166,937,315**
Share of results of associated companies	**1,170,350**	**–**	**(186,246)**	**–**	**984,104**
Profit before tax					**167,921,419**
Income tax expense					**(28,869,212)**
Profit after tax					**139,052,207**
Segment assets	**1,985,468,115**	**899,048,208**	**139,215,354**	**(327,969,744)**	**2,695,761,933**
Associated companies	**10,779,093**	**–**	**3,491,839**	**–**	**14,270,932**
Deferred tax asset					**35,854**
Consolidated total assets					**2,710,068,719**
Segment liabilities	**1,296,784,976**	**825,381,561**	**60,638,081**	**(329,591,830)**	**1,853,212,788**
Current tax liabilities					**31,347,206**
Deferred tax liabilities					**723,808**
Consolidated total liabilities					**1,885,283,802**
Other segment items					
Capital expenditure	**609,202**	**370,625**	**563,241**	**–**	**1,543,068**
Depreciation and amortisation expenses	**1,807,476**	**965,599**	**901,865**	**–**	**3,674,940**

34. Segment information *(continued)*

2005

	Singapore $	Hong Kong $	Others $	Elimination $	Total $
Revenue					
– External sales	186,198,300	83,433,451	27,259,082	–	296,890,833
– Inter-segment sales	8,303,015	–	9,516,959	(17,819,974)	–
	194,501,315	83,433,451	36,776,041	(17,819,974)	296,890,833
Segment results	66,060,646	9,701,255	13,319,429	722,764	89,804,094
Share of results of associated companies	2,429,611	–	382,286	–	2,811,897
Profit before tax					92,615,991
Income tax expense					(16,879,712)
Profit after tax					75,736,279
Segment assets	1,033,206,860	498,975,142	141,445,202	(188,763,293)	1,484,863,911
Associated companies	33,185,929	–	4,730,769	–	37,916,698
Deferred tax asset					35,029
Consolidated total assets					1,522,815,638
Segment liabilities	446,674,016	445,897,108	46,858,854	(189,235,098)	750,194,880
Current tax liabilities					25,659,321
Deferred tax liabilities					798,717
Consolidated total liabilities					776,652,918
Other segment items					
Capital expenditure	803,674	683,597	476,940	–	1,964,211
Depreciation and amortisation expenses	2,600,613	4,202,651	991,311	–	7,794,575

Secondary reporting format – business segments

The Group operates mainly in securities/ futures broking business. There are no other business segments that contribute more than 10% of the consolidated revenue and assets.

35. New accounting standards and FRS interpretations

Certain new standards, amendments and interpretations to existing standards have been published and they are mandatory for the Group's accounting periods beginning on or after 1 January 2007 or later periods which the Group has not early adopted. The Group's assessment of the impact of adopting those standards, amendments and interpretations that are relevant to the Group's is set out below:

FRS 107 *Financial Instruments: Disclosures*, and a complementary Amendment to FRS 1 *Presentation of Financial Statements – Capital Disclosures*

The Group has adopted FRS 107 on 1 January 2007, which is the effective date of the Standard.

FRS 107 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including minimum disclosures about credit risk, liquidity risk and market risk (including sensitivity analysis to market risk). It replaces the disclosure requirements in FRS 32

Financial Instruments: Disclosure and Presentation.

The amendment to FRS 1 introduces disclosures about the level of an entity's capital and how it manages capital. The Group has assessed the impact of FRS 107 and the amendment to FRS 1 and concluded that the main additional disclosures will be the sensitivity analysis to market risk and the capital disclosures required by the amendment of FRS 1.

36. Authorisation of financial statements

These financial statements were authorised for issue in accordance with a resolution of the Board of Directors of UOB-Kay Hian Holdings Limited on 22 March 2007.

37. Listing of companies in the Group

Name of company		Principal activities	Country of incorporation	Equity holding by The Company 2006 %	The Company 2005 %	Subsidiaries 2006 %	Subsidiaries 2005 %
Subsidiaries							
(e)	Kay Hian Holdings Limited	Under member's voluntary liquidation	Singapore	**100**	100	**–**	–
(e)	UOB Securities Pte Ltd	Under member's voluntary liquidation	Singapore	**100**	100	**–**	–
(c)	PT UOB Kay Hian Securities	Stockbroking	Indonesia	**92.5**	92.5	**–**	–
(c)	UOB Kay Hian Securities (Philippines), Inc.	Stockbroking	Philippines	**100**	100	**–**	–
(b)	UOB Kay Hian Securities (Thailand) Public Company Limited	Stockbroking	Thailand	**76.9**	76.9	**2.5**	0.1
(c)	UOB Kay Hian (U.K.) Limited	Arranger	United Kingdom	**100**	100	**–**	–
(c)	UOB Kay Hian (U.S.) Inc.	Stockbroking	United States of America	**100**	100	**–**	–
(a)	UOB Kay Hian Private Limited	Stockbroking	Singapore	**100**	–	**–**	100
(a)	UOB Kay Hian Trading Pte Ltd	Investment trading	Singapore	**100**	–	**–**	100
(b)	UOB Kay Hian (Malaysia) Holdings Sdn. Bhd.	Research activities	Malaysia	**100**	–	**–**	100
(b)	UOB Kay Hian Overseas Limited	Investment holding	Hong Kong, SAR	**100**	–	**–**	100
(a)	UOB Kay Hian Credit Pte Ltd	Money lending	Singapore	**100**	–	**–**	–
	Held by Kay Hian Holdings Limited						
(e)	UOB Kay Hian Opportunities Fund Pte Ltd	Under member's voluntary liquidation	Singapore	**–**	–	**100**	100
(e)	UOB Kay Hian Advisors Limited	Under member's voluntary liquidation	Singapore	**–**	–	**100**	100
	Held by UOB Kay Hian Private Limited						
(a)	UOB Kay Hian Nominees Pte Ltd	Nominee services	Singapore	**–**	–	**100**	100
(a)	UOB Kay Hian Research Pte Ltd	Research activities	Singapore	**–**	–	**100**	100

37. Listing of companies in the Group *(continued)*

	Name of company	Principal activities	Country of incorporation	Equity holding by The Company 2006 %	The Company 2005 %	Subsidiaries 2006 %	Subsidiaries 2005 %
	Subsidiaries *(continued)*						
	Held by UOB Kay Hian Opportunities Fund Pte Ltd						
(e)	Sentosa Investor Services Ltd	Under member's voluntary liquidation	Cayman Islands	**–**	–	**100**	100
	Held by UOB Kay Hian Overseas Limited						
(b)	UOB Kay Hian (Hong Kong) Limited	Stockbroking	Hong Kong, SAR	**–**	–	**100**	100
(b)	UOB Kay Hian Futures (Hong Kong) Limited	Futures broking	Hong Kong, SAR	**–**	–	**100**	100
(b)	UOB Kay Hian Finance Limited	Money lending	Hong Kong, SAR	**–**	–	**100**	100
(b)	UOB Kay Hian Asia Limited	Dormant	Hong Kong, SAR	**–**	–	**100**	100
(d)	UOB Kay Hian (BVI) Limited	Investment holding	British Virgin Islands	**–**	–	**100**	100
(b)	UOB Kay Hian Investment Consulting (Shanghai) Company Limited	Investment consulting and research services	People's Republic of China	**–**	–	**100**	100
	Associated companies						
	Held by UOB- Kay Hian Holdings Limited						
(a)	Trans-Pacific Credit Private Limited	Margin financing	Singapore	**50**	–	**–**	50
	Held by UOB Kay Hian (Malaysia) Holdings Sdn Bhd						
(e)	Thong & Kay Hian Corporation Sdn. Bhd.	Dormant	Malaysia	**–**	–	**30**	30
(e)	Thong & Kay Hian Options Sdn. Bhd.	Dormant	Malaysia	**–**	–	**30**	30

(a) Audited by PricewaterhouseCoopers, Singapore
(b) Audited by other PricewaterhouseCoopers firms outside Singapore
(c) Audited by other auditors
(d) Audit not required under the laws of the country of incorporation
(e) Audit not required as company is under members' voluntary liquidation during/after the financial year

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Analysis of Shareholdings

As at 16 March 2007

No. Of Shares Issued : 724,709,009 Ordinary Shares
Voting Rights : On A Show Of Hands : One Vote For Each Member
On A Poll : One Vote For Each Ordinary Share

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 – 999	364	3.57	128,513	0.02
1,000 – 10,000	8,202	80.45	33,537,675	4.63
10,001 – 1,000,000	1,607	15.76	59,255,992	8.17
1,000,001 & above	22	0.22	631,786,829	87.18
Total	10,195	100.00	724,709,009	100.00

Top Twenty Shareholders as at 16 March 2007	No. of Shares	%
United Overseas Bank Ltd	285,537,809	39.40
U.I.P. Holdings Ltd	115,238,976	15.90
DBS Nominees Pte Ltd	46,545,425	6.42
United Overseas Bank Nominees Pte Ltd	32,078,900	4.43
Tang Wee Loke	29,893,381	4.12
Citibank Nominees S'pore Pte Ltd	26,921,425	3.71
HSBC (Singapore) Nominees Pte Ltd	24,126,000	3.33
Employees Provident Fund Board	17,644,000	2.43
OCBC Nominees Singapore Pte Ltd	12,537,050	1.73
Bank of China Nominees Pte Ltd	10,000,000	1.38
DBSN Services Pte Ltd	8,402,335	1.16
Tye Hua Nominees (Pte) Ltd	4,413,000	0.61
Eng Hui Cheh	2,765,000	0.38
Tung Tau Chyr Walter	2,542,422	0.35
Morgan Stanley Asia (S'pore) Securities Pte Ltd	2,379,200	0.33
Lau Mei Lea	2,100,000	0.29
UOB Kay Hian Pte Ltd	1,955,000	0.27
Phillip Securities Pte Ltd	1,635,405	0.23
G K Goh Strategic Holdings Pte Ltd	1,500,000	0.21
Kim Eng Securities Pte Ltd	1,261,400	0.17
	629,476,728	86.85

	Direct interest		Deemed interest	
Substantial shareholders	No. of shares	% of total issued shares	No. of shares	% of total issued shares
Wee Ee Chao	–	–	116,626,976 (1)	16.09
United Overseas Bank Limited	285,537,809	39.40	4,413,000 (2)	0.61

Notes: (1) Mr Wee Ee Chao's deemed interest arises from the 115,238,976 shares held by U.I.P. Holdings Limited and 1,388,000 shares held by UOB Kay Hian Private Limited.

(2) United Overseas Bank Limited's deemed interest arises from the 4,413,000 shares held by Tye Hua Nominees (Private) Limited.

Public Float

Based on available information as at 16 March 07, approximately 38.92% of the issued shares of the company is held by the public (Rule 723 of the SGX-ST Listing Manual).

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the annual general meeting of the Company will be held at The Penthouse, UOB Limited, 80 Raffles Place, 61st Storey, UOB Plaza 1, Singapore 048624 on Friday, 27 April 2007 at 6.00 p.m. for the following purposes:-

Ordinary Business

1 To receive and adopt the audited financial statements for the year ended 31 December 2006 and the reports of the directors and auditors thereon.

2 To declare a final dividend of 10.5 cents per ordinary share less income tax for the year ended 31 December 2006.

3 To approve the sum of $177,000 as directors' fees for the year ended 31 December 2006. (2005: $180,500)

4(a) To re-elect Dr Henry Tay Yun Chwan, a director who will retire by rotation pursuant to Article 91 of the Company's Articles of Association and who, being eligible, will offer himself for re-election.

Note: Dr Henry Tay Yun Chwan, if re-elected as a director, will remain a member and chairman of the audit committee and a member of the remuneration committee. Dr Tay is an independent director.

4(b) To re-elect Mr Chelva Retnam Rajah, a director who will retire by rotation pursuant to Article 91 of the Company's Articles of Association and who, being eligible, will offer himself for re-election.

Note: Mr Chelva Retnam Rajah, if re-elected as a director, will remain a member of the audit committee, a member of the nominating committee and a member and chairman of the remuneration committee. Mr Rajah is an independent director.

4(c) To re-elect Mr Esmond Choo Liong Gee, a director who will cease to hold office pursuant to Article 97 of the Company's Articles of Association and who, being eligible, will offer himself for re-election.

4(d) To re-elect Mr Francis Lee Chin Yong, a director who will cease to hold office pursuant to Article 97 of the Company's Articles of Association and who, being eligible, will offer himself for re-election.

Note: Mr Francis Lee Chin Yong, if re-elected as a director, will remain a member of the audit committee. Mr Lee is a non-independent director.

5 To re-appoint PricewaterhouseCoopers as auditors of the Company and to authorise the directors to fix their remuneration.

Special Business

6 To consider and, if thought fit, to pass with or without any modifications, the following resolution as ordinary resolution:-

"That pursuant to Section 161 of the Companies Act, Cap. 50 and the listing rules of the Singapore Exchange Securities Trading Limited, authority be and is hereby given to the directors of the Company to allot and issue shares and convertible securities in the Company (whether by way of rights, bonus or otherwise) at any time and from time to time thereafter to such persons and upon such terms and conditions and for such purposes as the directors may in their absolute discretion deem fit, provided always that the aggregate number of shares and convertible securities to be issued pursuant to this resolution does not exceed 50% of the issued shares in the capital of the Company as at the date of the passing of this resolution, of which the aggregate number of shares and convertible securities to be issued other than on a pro rata basis to shareholders of the Company does not exceed 20% of the issued shares in the capital of the Company as at the date of the passing of this resolution, and for the purpose of this resolution, the percentage of issued shares shall be based on the number of issued shares in the capital of the Company at the time this resolution is passed (after adjusting for new shares arising from the conversion or exercise of convertible securities or exercise of share options or vesting of share awards which are outstanding or subsisting at the time this resolution is passed and any subsequent consolidation or subdivision of the Company's shares), and unless revoked or varied by the Company in general meeting, such authority shall continue in force until the conclusion of the next annual general meeting of the Company or the date by which the next annual general meeting of the Company is required by law to be held, whichever is the earlier."

7 To transact such other business as can be transacted at an annual general meeting of the Company.

By Order of the Board

Chung Boon Cheow
Secretary
Singapore, 11 April 2007

Notes
A member entitled to attend and vote at the annual general meeting may appoint not more than two proxies to attend and vote on his behalf. A proxy need not be a member of the Company. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 80 Raffles Place #30-01, UOB Plaza 1, Singapore 048624 not less than 48 hours before the time appointed for holding the meeting.

Statement Pursuant To Article 54 Of The Company's Articles Of Association

The ordinary resolution set out in item 6 above, if passed, will authorise the directors from the date of the above meeting until the date of the next annual general meeting, to allot and issue shares and convertible securities in the Company. The aggregate number of shares and convertible securities which the directors may allot and issue under this resolution shall not exceed 50% of the issued shares in the capital of the Company at the time this resolution is passed. For issues of shares and convertible securities other than on a pro rata basis to all shareholders, the aggregate number of shares and convertible securities to be issued shall not exceed 20% of the issued shares in the capital of the Company at the time this resolution is passed.

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